

CITY OF HARTFORD  
80-2030  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2004

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>HARTFORD</b>	County <b>VAN BUREN</b>
Audit Date <b>JUNE 30, 2004</b>	Opinion Date <b>JULY 27, 2004</b>	Date Accountant Report Submitted to State: <b>September 28, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government, Michigan as revised.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			X
			X

Certified Public Accountant (Firm Name) <b>GERBEL &amp; COMPANY, P.C., CPA'S</b>			
Street Address <b>830 PLEASANT STREET P.O. BOX 44</b>		City <b>ST. JOSEPH</b>	State <b>MI</b>
Accountant Signature <i>Robert R. Gerbel CPA</i>		ZIP <b>49085</b>	

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2004

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# City of Hartford

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June 30, 2004

**To the Honorable Mayor, Members of the City Commission, and Citizens of the City of Hartford:**

Michigan state law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP); and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hartford for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Hartford (the "City"). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse; and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Gerbel & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. **The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP.** The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the transmittal letter.

## **Profile of the Government**

The City of Hartford is located in Van Buren County in the Southwestern corner of Michigan, on two of the major routes (Red Arrow Highway and Interstate-94) through Southwestern Michigan. Land area is approximately 1.5 square miles with a population of 2,476 based on the 2000 census. Hartford was fully incorporated as a home rule City on October 4, 1964 with the passage of its charter, and employs the commission-manager form of government. The City of Hartford is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing City Commission.

The City has operated under the commission-manager form of government since 1964. Policy-making and legislative authority are vested in a governing commission consisting of the mayor and six other members. The governing commission is responsible, among other things for passing ordinances, adopting the budget, appointing boards and committees, approving contracts, authorizing real estate transactions, approving payments, awarding bids, selling personal property, and hiring the City's manager and attorney. The city manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the various city departments. The commission is elected on a non-partisan basis. Commission members serve two-year staggered terms, with three commission members elected every year. The mayor is elected to serve a two-year term. The mayor and Commission members are elected at large, and the mayor pro tem is elected by the commission.

The City of Hartford provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sewage treatment and disposal; water treatment and distribution, and cultural events. The fire protection is provided through a legally and financially separate Fire Board in conjunction with Hartford Township.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City's manager each year. The city manager uses these requests as the starting point for developing a proposed budget. The City's manager then presents this proposed budget to the commission for review at the first meeting in April. The commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than the first of June. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Department heads may make transfers of appropriations within a department.

Transfers of appropriations between departments, however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Major Street Fund (major funds), this comparison is presented on pages 10 and 11 respectively as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information section of this report, which starts on page 32.

The City of Hartford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The City's major governmental funds are the General Fund, Major Street Fund, and Streetscape Project Fund. The City's nonmajor governmental funds include the Local Street Fund, Sidewalk Fund, Building Department Fund, Building Authority Fund, and Property Replacement Fund. The City's proprietary funds are the Water and Sewer Funds. As the City collects its own taxes as well as the taxes for other governmental entities, it has a fiduciary Tax Collection Fund.

### **Factors Affecting Financial Conditions.**

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hartford operates.

#### **Local economy**

Hartford's local economy is not limited to its geographical boundaries. In order to understand the dynamics of the local economy, the socio-economic and demographic profile for the City, which includes detailed information for both the City and its local trade area, must be equally put into consideration.

This information reveals trends for key economic and demographic indicators such as population size, age, ethnicity, education attainment, employment and earnings. This information would be briefly presented. For the economic and demographic assessment, the trade area is defined as areas within 5-10 miles of the City of Hartford.

**Population.** The population in the City of Hartford is expected to remain constant between now and 2006. However, population in the Hartford trade area is projected to increase at a rate of 2.8% between now and 2006. This rate is similar to the State average, and below the rate for the Red Arrow trade area in general.

**Households.** The total number of households has increased in every region except the City since 1990. The City experienced a 0.6% decrease in the number of households between

1990 and 2001. However, the City is expected to see an increase in the number of households between now and 2006.

Age characteristics. Between 1990 and 2001 the median age of the trade area residents increased from 30.3 years old to 33.4 years old. The median is expected to increase slightly to 33.6 years by 2006. Between 2001 and 2006 the youth population (less than 18 years) is expected to increase in both the City of Hartford and the Hartford trade area. However, the increase is expected to be minimal. At the same time the senior population (greater than 65 years of age) is expected to decrease in both the City and trade area.

Ethnic groups. The City of Hartford is the second most diverse town in the Red Arrow Corridor with Hispanics accounting for 11.9% of the population, and other minority groups accounting for 10.6% of the population. The Hartford Trade Area is the most diverse of the Red Arrow Trade Areas with Hispanics residents making up 12.9% of the population, and residents from other minority groups accounting for 10% of the total population in 2001. These figures have increased significantly since 1990.

Income trends. Between 1990 and 2001, median income in the City of Hartford and trade area increased at a rate well above the State average. During this period, the City experienced income growth at a rate of 4.8% annually, and the trade area income grew at a rate of 4.3% annually. These figures compare to an average annual growth rate of 4.1% and 3.9% in the State and Red Arrow Trade Area respectively. As might be expected in a rural area, the median income throughout Red Arrow Trade Area is below the median income in the State as a whole. However, incomes in the City and Red Arrow Trade Area in general are expected to grow at a faster rate than statewide median income.

Household ownership. In each of the three areas the owner-to-renter household ratio has increased since 1990. This trend is expected to continue into the future. Although the City of Hartford has a relatively high renter-household rate of approximately 31%, this is not uncommon among towns of similar size.

Education. In 2001, 28% of Michigan residents had some type of college degree, compared to 16% of the residents in the City of Hartford and its trade area. The portion of population that did not graduate from high school is higher in the City and trade area as well; however, this is not surprising given the area's agricultural past.

Employment. Employment by Industry; with 27% of the total workforce, manufacturing is the largest employment sector for residents within the City of Hartford. Wholesale and Retail trades account for 25% of the employment, making it the second largest employer for Hartford residents. In the Hartford Trade Area, the two largest sectors of employment are the same as in the City.

Service sector employment in the city and trade area is significantly lower than the State and regional averages, while the percentage of population working in the agriculture sector is above that of the Red Arrow trade area.



Major employers. Six major employers reside within the Hartford trade area. We define major employers as those companies employing 35 or more workers. The largest employer is Mann Metal Finishing with 135 employees. Four of the six major employers within Hartford's trade area are agricultural firms.

Land use. The land use is very characteristic of the zoning classification in the City of Hartford. There are seven zoning districts and the size they occupy is listed below.

ZONING DISTRICT	ABBREVIATION	PERCENT OCCUPATION
Central Business District.	B-1	2%
General Business District	B-2	11%
General Industrial District	I	11%
Light Industrial District	LI	1%
Multi-Family Res. District	R-MF	1%
Single Fam. Residential Dist.	R-1	56%
Two-Family Residential Dist.	R-2	1%
Rural Residential District.	RR	16%

#### Growth residential properties

The growth of residential properties was sporadic at best until 2001 when the City had a designated Renaissance Zone. This was a catalyst for growth and potential for bigger residential development that would accommodate additional fifty (50) new single-family residential developments. Since 2001 there have been fourteen (14) new single-family residential homes built in the City of Hartford.

Occupancy rate of downtown area. The downtown area continues to withstand various challenges for the last several years but now is going through some transitional changes for improvements in the immediate future. These improvements would likely bring the occupancy rate in the Downtown Area to about eighty (80%) percent. A lot of work will still be necessary to sustain this base and expand on it.

Utility system growth capacity. The City's Utility System has plenty of capacity to accommodate future growth and the plan for future expansion has already been made whenever it could become necessary to do so.

The Waste Water Treatment Plant has over one hundred thousand gallons a day available for immediate use. The Water Filtration Plant has about two hundred and fifty gallons a day

available for immediate use. The City is able to accommodate immediate growth while the plans for future growth are already made.

Proactive approach for capital improvements. The City of Hartford does an annual assessment of its facilities and equipment to make sure they can adequately support our immediate needs and the potential for the future. Police cars are replaced annually until this year when we are forced to replace them every two years due to fiscal constraints. Water and sewer lines are now evaluated annually and replacements and upgrades are done as soon as necessary. Sidewalk replacements are conducted routinely every year and the roads are repaved as needed within the limits of the City's fiscal ability. All these have helped us to keep our infrastructure in good condition.

Growth in tax base. There has been a marginal growth in the City's tax base in the last couple of years. The much-anticipated economic improvement should serve as a catalyst for a healthy growth in the City's tax base. The only unfortunate decline was experienced this year when the old Hartford House was lost to a fire.

Expected capital improvements (over 5 to 10 year period). The expected Capital improvements will be concentrated on the upgrade of our waterlines to eliminate certain problem areas that would improve overall water flow, increase water pressure and better fire suppressant. Further, the City has a fleet of aging vehicles that will need to be replaced within the next five years. Several pieces of our equipment are ready for replacement. We want to replace this equipment without any hardship on our already tight fiscal condition.

Maintaining operating funds. Finally, it is considered a good business practice to maintain a minimum of six (6) months operating funds for the City's fund balance. Our goal will be consistent in our fiscal deliberations to maintain at minimum that level of fund balance during these challenging economic times. We are always ready to make necessary adjustments that would preserve the City's fiscal integrity in the short and long-term.

Cash management policies and practices. The City of Hartford is generally conservative in its approach to cash management. Cash is deposited upon receipt in interest bearing cash management accounts with a local bank. Idle cash is invested in mainly negotiable bank CD's and the City has one investment in a U.S. Government securities mutual fund. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. The City's investment policy emphasizes protecting taxpayers against potential deficits.

**Risk management.** Under a comprehensive plan of risk management, the City maintains property, liability, and workers compensation insurance coverage through the Michigan Municipal League insurance pools. The City also is required by union contracts, to maintain health and short-term disability coverage for some employees. This coverage is maintained by private insurance carriers.

**Pension and other post-employment benefits.** In 2001, the City began providing pension benefits to all of its full-time employees through a defined contribution plan. Additional information on the City's retirement system can be found in **Note 8** in the notes to the financial statements.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Hartford. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hartford finances.

Respectfully submitted,

Yemi Akinwale

City Manager

Linda Gray

City Treasurer

**City of Hartford**  
**List of Elected and Appointed Officials**  
**June 30, 2004**

**Elected Officials**

Mayor	Theodore Johnson
City Commissioner	Bill McLaughlin
City Commissioner	Alice Williams
City Commissioner	Ron Burleson
City Commissioner	Leo Latus
City Commissioner	Rick Hall
City Commissioner	(Vacant)

**Appointed Officials**

City Manager	Yemi Akinwale
City Clerk	Roxann Isbrecht
City Treasurer	Linda Gray
Chief of Police	Ramon Beltran
Public Works Superintendent	Dan Staunton
Wastewater Treatment Plant Superintendent	T.C. Melville

## Management's Discussion and Analysis

As management of the City of Hartford, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-VII of this report.

### Financial Highlights

- First year the City has been required to comply with the Governmental Accounting Standards Board adopted statement number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Management's Discussion and Analysis is part of that requirement.
- The major part of the Streetscape Project is completed. This project involved the refinishing and landscaping of the north City parking lot. It also included new lighting on Main Street. This project was financed by Michigan Economic Development Corporation with a match coming from the Major Street Fund
- Due to the poor economic climate in the state of Michigan, the City lost approximately 21.7 percent of state shared revenue. The loss of this revenue greatly effected the balance in the General Fund.
- The City purchased a new backhoe for the department of Public Works; this was financed by an installment loan from National City Bank.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The major governmental activities of the City include general government, public safety, highways and streets, and public works. The business-type activities of the City include water distribution and sewer operations.

The government-wide financial statements include not only the City itself, (known as the primary government) but also a legally separate building authority for which the City is financially accountable. It is reported as part of the Local Governmental Unit and blended into the appropriate fund type. The Hartford Downtown Development Authority, although also legally separate, has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 3-4 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hartford maintains eight individual governmental funds, and one temporary capital project fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Streetscape Fund, which are considered major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hartford adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5-11 of this report.

***Proprietary funds.*** The City of Hartford maintains only one type of proprietary fund, *enterprise funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide for separate information for the water and sewer funds, both of which are considered to be major funds by the City.

The basic proprietary fund financial statements can be found on pages 12-16 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of these funds are *not* available to support the City's own programs. The City of Hartford collects taxes on behalf of other governments, and accounts for these tax collections in a fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 33-34. Combining and individual fund statements and schedules can be found on pages 35-51 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hartford, assets exceeded liabilities by \$ 3,742,025 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (59 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (37 percent or \$ 1,388,206) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

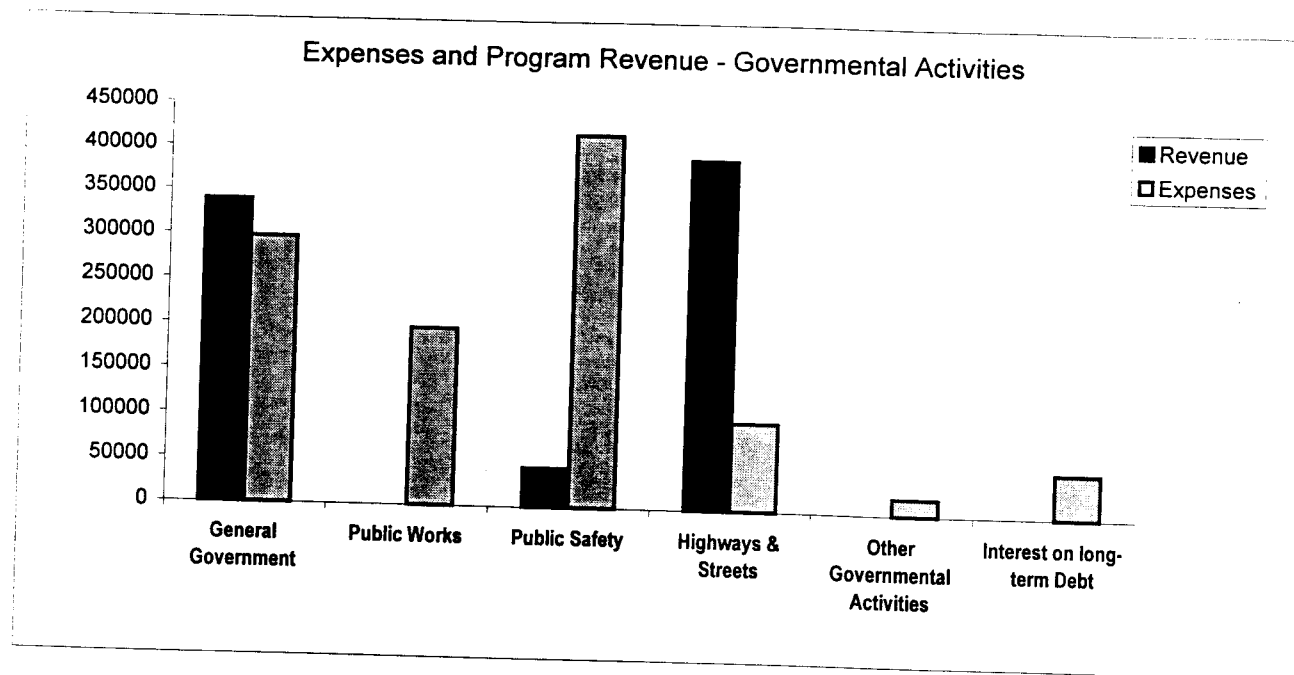
Governmental Accounting Standards Board adopted statement number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires the City to report net assets and the increase or decrease in net assets from the previous year. Since this is the first year the City of Hartford has reported assets net of related debt in the governmental funds, we can make no detailed comparisons between this fiscal year's and last fiscal year's net assets.

**Governmental activities.** Governmental activities increased net assets by \$ 286,640. Key elements of this increase are as follows:

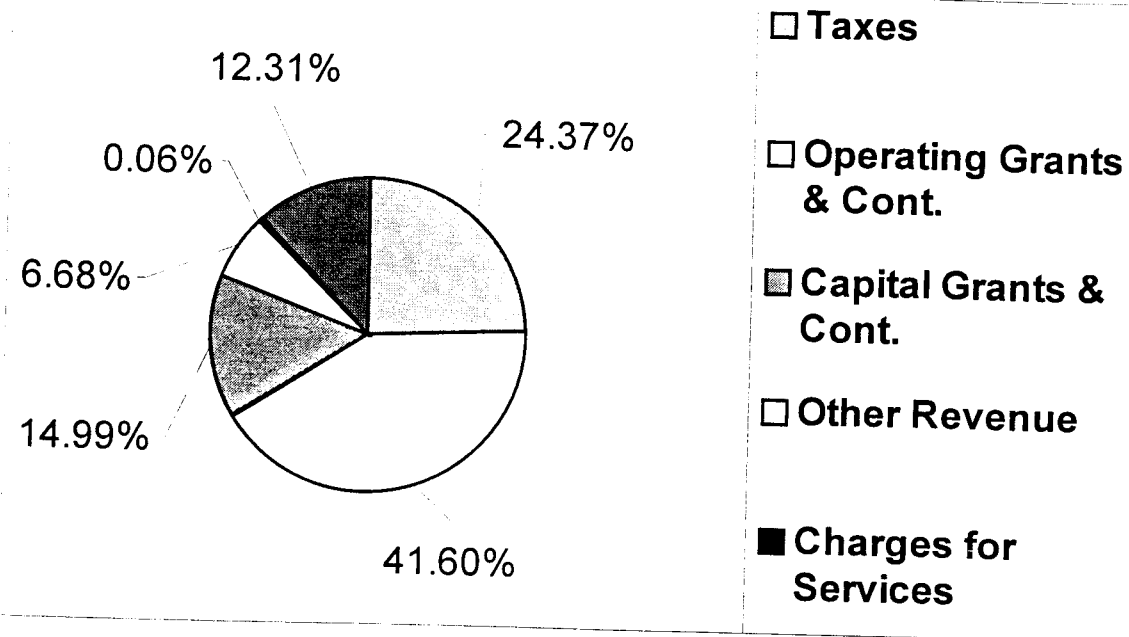
- Property taxes increased by \$ 1561. This increase was due to new construction.
- Operating grants and contributions decreased overall by \$ 120,463. The cops grant increased by \$ 16,572, while state shared revenue decreased by \$ 94,076 (21.7 %). Highway and streets operating grant from the state increased by \$ 31,540 (20.3%). This was mainly due from North Maple Street being reclassified as a major street, and Tower Drive (street behind City Hall) being classified as a local street.



- The streetscape project, involving the refinishing and landscaping of the north parking lot, and new lighting on Main Street, was added to the assets of the City.



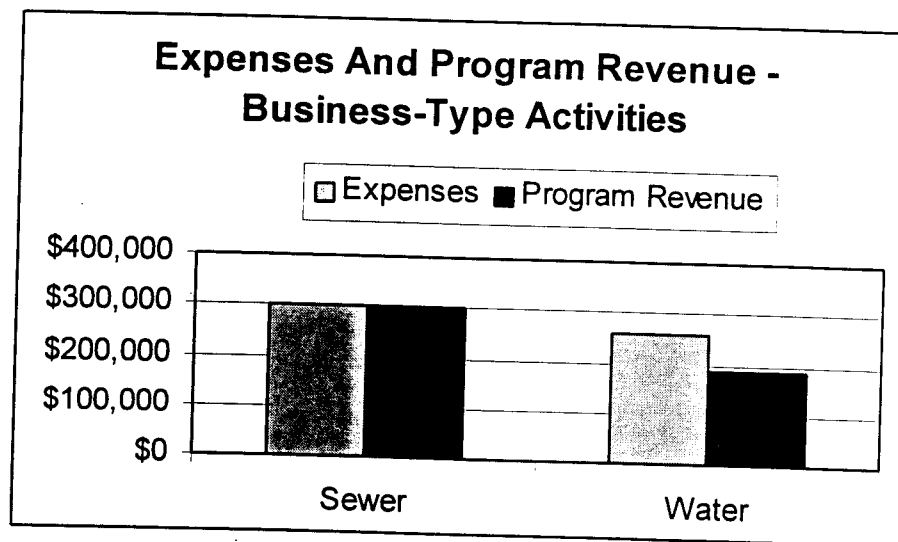
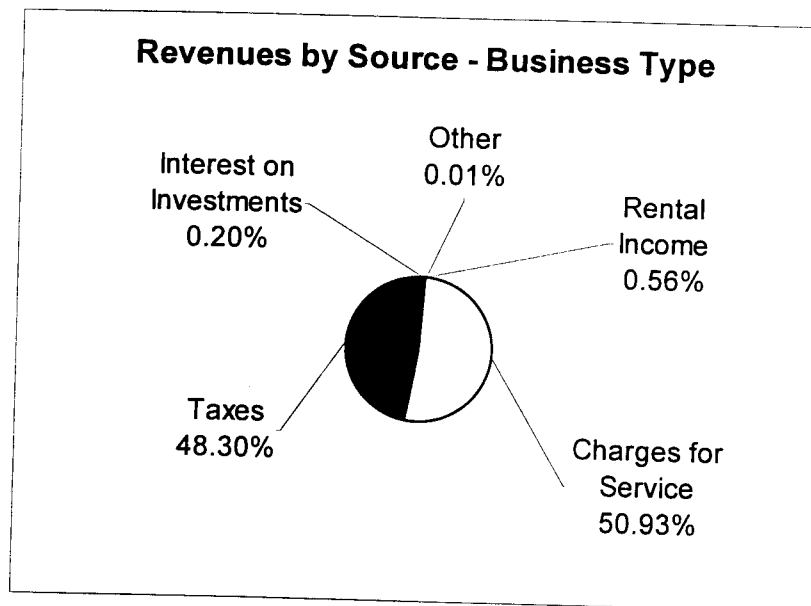
## Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities decreased the City of Hartford's net assets by \$ 12,744. Key elements of this decrease are as follows:

- Total charges for services for the business-type activities increased by \$ 28,465. The water fund charges for services decreased by \$ 107, while the sewer fund charges for services increased by \$ 28,572. We added several new sewer-only accounts during the fiscal year, and there was a modest increase in demand for the sewer services. The demand for the water services remained constant.
- Investment earnings increased by \$ 1,041 for business-type activities because of the diversification of all investments.

- Total decrease in net assets was approximately the same as last fiscal year, (\$ 12,521) increasing by only \$ 223.



### Financial Analysis of the Government's Funds

As noted earlier, the City of Hartford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hartford's governmental funds reported combined ending fund balances of \$ 891,137, an increase of \$ 13,546 in comparison with the prior year. 100% of this amount was *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Hartford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 505,225. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 56% of total general fund expenditures, and 51.7% of total general fund expenditures plus transfers to other funds.

The fund balance of the City's general fund decreased by \$18,011 during the current fiscal year. Key factors in this decline are as follows:

- Total revenues declined from by 7.3 % or \$ 72,451. The largest decrease in revenue was in state shared revenue. State shared revenue decreased by 21.7% or \$ 94,076 from last fiscal year. Last fiscal year, state shared revenue was 43.6 % of total revenue. This fiscal year state shared revenue was 36.8% of total revenue.
- Total expenditures increased by 5.3% or \$ 45,578 from last fiscal year. Part of this increase was in public safety, which increased by 9.7% or \$ 34,932. Public safety includes the police department and payment to the Hartford Fire Board.
- Debt service also increased by 49.2% or \$ 8,110. The interest paid for debt service decreased, but the amount paid on principal increased by \$ 8,074. This reflects principal paid on the new Department of Public Works backhoe.

**Proprietary funds.** The City of Hartford's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$542,495. The total increase or decline in net assets for both funds was \$ 5,363 and \$(18,107), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budget, including debt service and transfers (\$ 8,175 increase) can be briefly summarized as follows:

- \$ 15,525 increase in miscellaneous government expenditures
- \$ 46,800 decrease in debt service expenditures
- \$ 39,450 increase in transfers to other funds

The increase was to be budgeted from available fund balance.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$ 4,092,895 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office equipment, vehicles, machinery and equipment, utility systems, and other non-depreciable capital assets. The total increase in the City's investment in capital assets for the current fiscal year was 1%.

Major capital asset events during the current fiscal year included the following:

- Construction on the Streetscape project was finished. This construction had cost \$ 269,902 and was added as a governmental activity non-depreciable asset.
- The City sold a police car, and a piece of Department of Public Works equipment for a net loss on the sales of \$ 4,092.
- The City acquired a new backhoe for the use of the Department of Public Works; this piece of machinery and equipment cost \$ 39,450 after trade-in.
- The City purchased a new police vehicle at a cost of \$ 21,976.

### City of Hartford's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Land	\$ 85,483	\$ 85,483	\$ 149,333	\$ 149,333	\$ 234,816	\$ 234,816
Land Improvements	-	-	574,684	574,684	574,684	574,684
Buildings & Improvement	830,673	813,524	489,216	465,115	1,319,889	1,278,639
Office Equipment	43,654	39,044	-	-	43,654	39,044
Vehicles	34,654	35,272	-	-	34,654	35,272
Machinery & Equipment	138,308	159,243	150,592	121,723	138,308	280,966
Utility Systems	-	-	1,435,119	1,379,572	1,435,119	1,379,572
Other Nondepreciable	-	269,902	-	-	269,902	269,902

Additional information on the City's capital assets can be found in Note 4 on page 25 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Hartford had total debt outstanding of \$ 1,921,008. Of this amount \$ 1,449,008 comprises debt backed by the full faith and credit of the government and \$ 295,000 is an unlimited tax general obligation bond. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$ 39,286 (2%) during the current fiscal year. The key factors in this decrease were principal payments in the amount \$ 79,839 and a municipal purchase contract in the amount of \$ 39,450.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Hartford is \$ 3,566,560, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 5 on pages 26-28 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The designated Renaissance Zone, created in 2001, has created growth in residential development. Since 2001, fourteen new single-family homes have been built in the City of Hartford.

The occupancy rate of the government's central business district has declined in previous years, but with recent improvements, such as the formation of the Greater Hartford Area Chamber of Commerce, the occupancy rate is expected to grow to about 80%.

All of these factors were considered in preparing the City's budget for the 2004-2005 fiscal year, along with the expected decrease in state-shared revenue, and the expected increase in employee health insurance.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$ 505,225. The City has appropriated \$ 39,829 of this amount for spending in the 2004-2005 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2004-2005 fiscal year.

During the 2004-2005 fiscal year, a \$ 72.00 per year surcharge on each account was included in the City's water fund budget. This surcharge was necessary to finance the debt for construction and repair of water lines.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Hartford, 19 West Main Street, Hartford, Michigan, 49057.

**- Gerbel & Company, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 27, 2004

**INDEPENDENT AUDITOR'S REPORT**

City Commission  
City of Hartford  
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hartford, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our opinions.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003.

The management's discussion and analysis information on pages IX through XIX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

**Right. On time.**



## INDEPENDENT AUDITOR'S REPORT - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Heckel & Company, P.C.*

**CITY OF HARTFORD**  
**Statement of Net Assets**  
**For the Year Ended June 30, 2004**

	<b>Primary Government</b>			<b>Component Units</b>
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 206,846	\$ 215,974	\$ 422,820	\$ 6,405
Investments	553,524	175,714	729,238	-
Receivables	-	142,237	142,237	-
Due from other governmental units	132,760	-	132,760	-
Due from other funds	1,135	-	1,135	-
Inventories	-	300	300	-
Deferred charges	-	20,899	20,899	-
Restricted assets:				
Cash and cash equivalents	-	81,293	81,293	-
Investments	-	65,905	65,905	-
Capital assets (net of accumulated depreciation):				
Land	85,483	149,333	234,816	-
Land improvements	-	574,684	574,684	-
Buildings and improvements	813,524	465,115	1,278,639	-
Office equipment	39,044	-	39,044	-
Vehicles	35,272	-	35,272	-
Machinery and equipment	159,243	121,723	280,966	-
Utility systems	-	1,379,572	1,379,572	-
Other nondepreciable capital assets	269,902	-	269,902	-
Other assets	6,000	-	6,000	-
Sewer bond cost, net of accumulated amortization	-	6,609	6,609	-
<b>TOTAL ASSETS</b>	<b>\$ 2,302,733</b>	<b>\$ 3,399,358</b>	<b>\$ 5,702,091</b>	<b>\$ 6,405</b>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Wages payable	\$ 6,999	\$ 588	\$ 7,587	\$ -
Payroll withholdings	2,129	-	2,129	-
Accrued interest payable	11,795	15,425	27,220	-
Unamortized bond premium	-	2,122	2,122	-
Noncurrent Liabilities:				
Due within one year	45,208	37,000	82,208	-
Due in more than one year	1,017,697	821,103	1,838,800	-
Total Liabilities	\$ 1,083,828	\$ 876,238	\$ 1,960,066	\$ -
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 373,194	\$ 1,833,427	\$ 2,206,621	\$ -
Restricted for debt service	-	147,198	147,198	-
Unrestricted	845,711	542,495	1,388,206	6.405
Total Net Assets	\$ 1,218,905	\$ 2,523,120	\$ 3,742,025	\$ 6.405
TOTAL LIABILITIES AND NET ASSETS	\$ 2,302,733	\$ 3,399,358	\$ 5,702,091	\$ 6.405

**CITY OF HARTFORD**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 297,583	\$ 437	\$ 338,626	\$ -
Highways and streets	98,422	-	186,863	205,066
Legislative	12,981	-	-	-
Public safety	418,111	395	43,376	-
Public works	197,551	-	-	-
Recreation and cultural	6,273	-	-	-
Interest on long-term debt	50,026	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 1,080,947</b>	<b>\$ 832</b>	<b>\$ 568,865</b>	<b>\$ 205,066</b>
Business-type Activities:				
Sewer fund	\$ 299,187	\$ 302,666	\$ -	\$ -
Water fund	257,533	188,196	-	-
<b>Total Business-type Activities</b>	<b>\$ 556,720</b>	<b>\$ 490,862</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 1,637,667</b>	<b>\$ 491,694</b>	<b>\$ 568,865</b>	<b>\$ 205,066</b>
<b>Component Units:</b>				
Downtown Development Authority	\$ 1,349	\$ -	\$ -	\$ -
<b>Total Component Units</b>	<b>\$ 1,349</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes  
Tax administration fee  
Equipment rental  
Administrative fee  
Interest  
Licenses and permits  
Rental income  
Other  
Gain (loss) on sale of assets

**Total General Revenues**

**Change in Net Assets**

**Net Assets - Beginning of Year**

**NET ASSETS - END OF YEAR**

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 41,480	\$ -	\$ 41,480	\$ -
293,507	-	293,507	-
(12,981)	-	(12,981)	-
(374,340)	-	(374,340)	-
(197,551)	-	(197,551)	-
(6,273)	-	(6,273)	-
(50,026)	-	(50,026)	-
<u>\$ (306,184)</u>	<u>\$ -</u>	<u>\$ (306,184)</u>	<u>\$ -</u>
\$ -	\$ 3,479	\$ 3,479	\$ -
-	(69,337)	(69,337)	-
\$ -	\$ (65,858)	\$ (65,858)	\$ -
<u>\$ (306,184)</u>	<u>\$ (65,858)</u>	<u>\$ (372,042)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (1,349)
\$ -	\$ -	\$ -	\$ (1,349)
\$ 319,883	\$ 45,648	\$ 365,531	\$ 4,457
13,350	-	13,350	-
110,794	-	110,794	-
57,500	-	57,500	-
10,076	1,952	12,028	22
29,994	-	29,994	-
46,800	5,414	52,214	-
8,519	100	8,619	-
(4,092)	-	(4,092)	-
<u>\$ 592,824</u>	<u>\$ 53,114</u>	<u>\$ 645,938</u>	<u>\$ 4,479</u>
\$ 286,640	\$ (12,744)	\$ 273,896	\$ 3,130
<u>932,265</u>	<u>2,535,864</u>	<u>3,468,129</u>	<u>3,275</u>
<u>\$ 1,218,905</u>	<u>\$ 2,523,120</u>	<u>\$ 3,742,025</u>	<u>\$ 6,405</u>

**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2004**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Streetscape Fund</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ (164,358)	\$ 247,718	\$ 1,420
Investments	553,524	-	-
Due from other governments	118,052	10,745	-
Due from other funds	7,135	-	-
Prepaid expense	-	-	6,000
	<u>-</u>	<u>-</u>	<u>6,000</u>
Total Current Assets	\$ 514,353	\$ 258,463	\$ 7,420
TOTAL ASSETS	<u>\$ 514,353</u>	<u>\$ 258,463</u>	<u>\$ 7,420</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Payroll liabilities	\$ 9,128	\$ -	\$ -
Due to other funds	-	-	6,000
	<u>-</u>	<u>-</u>	<u>6,000</u>
Total Current Liabilities	\$ 9,128	\$ -	\$ 6,000
Total Liabilities	<u>\$ 9,128</u>	<u>\$ -</u>	<u>\$ 6,000</u>
Fund Balances:			
Unreserved, reported in			
General Fund	\$ 505,225	\$ -	\$ -
Special Revenue	-	258,463	-
Capital Projects	-	-	1,420
	<u>-</u>	<u>-</u>	<u>1,420</u>
Total Fund Balances	\$ 505,225	\$ 258,463	\$ 1,420
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 514,353</u>	<u>\$ 258,463</u>	<u>\$ 7,420</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 122,066	\$ 206,846
-	553,524
3,963	132,760
-	7,135
-	6,000
<u>\$ 126,029</u>	<u>\$ 906,265</u>
<u>\$ 126,029</u>	<u>\$ 906,265</u>
 \$ -	 \$ 9,128
<u>-</u>	<u>6,000</u>
 \$ -	 \$ 15,128
<u>-</u>	<u>15,128</u>
 \$ -	 \$ 505,225
74,709	333,172
<u>51,320</u>	<u>52,740</u>
 \$ 126,029	 \$ 891,137
<u>\$ 126,029</u>	<u>\$ 906,265</u>

**CITY OF HARTFORD**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**For the Year Ended June 30, 2004**

Fund balances of governmental funds	\$ 891,137
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the Government-wide statements and depreciated over their useful lives.	1,402,468
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,062,905)
Accrued interest is not recorded as a liability in governmental funds. Interest expense is recognized in the year it is paid.	<u>(11,795)</u>
Net assets of governmental activities	<u>\$ 1,218,905</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Streetscape Fund</u>
<b>Revenues</b>			
Taxes	\$ 319,942	\$ -	\$ -
Tax administration fee	13,350	-	-
Licenses and permits	16,699	-	-
Equipment rental	110,794	-	-
State revenue	338,626	136,070	143,263
Federal grant	43,376	-	61,803
Rent revenue	-	-	-
Charges for services	2,981	-	-
Fines and forfeits	1,491	-	-
Interest	10,020	-	31
Administrative	57,638	-	-
Other	4,182	-	500
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 919,099	\$ 136,070	\$ 205,597
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Expenditures</b>			
Legislative	\$ 12,981	\$ -	\$ -
General government	280,372	-	-
Public safety	395,733	-	-
Highways and streets	-	-	-
Public works	180,958	40,058	282,175
Recreation and culture	6,273	-	-
Debt service:			
Principal	20,943	10,000	-
Interest	3,639	9,290	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 900,899	\$ 59,348	\$ 282,175
	<u>          </u>	<u>          </u>	<u>          </u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 18,200	\$ 76,722	\$ (76,578)
	<u>          </u>	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 319,942
-	13,350
13,294	29,993
-	110,794
50,794	668,753
-	105,179
46,800	46,800
-	2,981
-	1,491
25	10,076
-	57,638
-	4,682
<u>\$ 110,913</u>	<u>\$ 1,371,679</u>
 \$ -	 \$ 12,981
-	280,372
34,850	430,583
46,092	46,092
39,450	542,641
-	6,273
8,000	38,943
<u>37,097</u>	<u>50,026</u>
<u>\$ 165,489</u>	<u>\$ 1,407,911</u>
 <u>\$ (54,576)</u>	 <u>\$ (36,232)</u>

**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Continued  
For the Year Ended June 30, 2004**

	<b><u>General Fund</u></b>	<b><u>Major Street Fund</u></b>	<b><u>Streetscape Fund</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from loans	\$ 39,450	\$ -	\$ -
Proceeds from sale of capital assets	-	-	-
Operating transfers in	-	-	77,998
Operating transfers out	<u>(75,661)</u>	<u>(61,437)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (36,211)</u>	<u>\$ (61,437)</u>	<u>\$ 77,998</u>
Net Change in Fund Balances	\$ (18,011)	\$ 15,285	\$ 1,420
Fund Balance - July 1, 2003	<u>523,236</u>	<u>243,178</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30, 2004</b>	<u><b>\$ 505,225</b></u>	<u><b>\$ 258,463</b></u>	<u><b>\$ 1,420</b></u>

The accompanying notes are an integral part of these financial statements.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ 39,450
10,328	10,328
71,100	149,098
<u>(12,000)</u>	<u>(149,098)</u>
 \$ 69,428	 \$ 49,778
 \$ 14,852	 \$ 13,546
 <u>111,177</u>	 <u>877,591</u>
 <u>\$ 126,029</u>	 <u>\$ 891,137</u>

**CITY OF HARTFORD**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2004**

Net change in fund balances - total governmental funds	\$ 13,546
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the Government-wide statements and depreciated over their useful lives. This is the amount by which depreciation exceeded capital outlays in the current period.	313,681
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	42,839
The issuance of debt is recorded as a financing source in the governmental funds, thereby increasing fund balance. In the statement of net assets it is recorded as a liability.	(39,450)
The net effect of trade-ins and sales involving capital assets is to decrease net assets.	(43,976)
Change in net assets of governmental activities	<u>\$ 286,640</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances- Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 338,000	\$ 338,000	\$ 319,942	\$ (18,058)
Tax administration fee	10,500	10,500	13,350	2,850
Licenses and permits	-	-	16,699	16,699
Equipment rental	125,000	125,000	110,794	(14,206)
State revenue	363,000	338,000	338,626	626
Federal grant	41,443	41,443	43,376	1,933
Charges for services	-	-	2,981	2,981
Fines and forfeits	-	-	1,491	1,491
Interest	30,000	30,000	10,020	(19,980)
Administration fee - other funds	57,500	57,500	57,638	138
DDA - tax	3,275	-	-	-
Other	10,500	10,500	4,182	(6,318)
<b>Total Revenues</b>	<b>\$ 979,218</b>	<b>\$ 950,943</b>	<b>\$ 919,099</b>	<b>\$ (31,844)</b>
<b>Expenditures:</b>				
Current:				
Legislative	\$ 17,000	\$ 17,000	\$ 12,981	\$ 4,019
General government	233,325	272,350	280,372	(8,022)
Public safety	436,743	435,243	395,733	39,510
Public works	236,000	214,000	180,958	33,042
Recreation and cultural	4,300	4,300	6,273	(1,973)
Debt service	67,400	20,600	24,582	(3,982)
<b>Total Expenditures</b>	<b>\$ 994,768</b>	<b>\$ 963,493</b>	<b>\$ 900,899</b>	<b>\$ 62,594</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (15,550)</b>	<b>\$ (12,550)</b>	<b>\$ 18,200</b>	<b>\$ 30,750</b>
<b>Other Financial Sources (Uses):</b>				
Proceeds from loans	\$ -	\$ 39,450	\$ 39,450	\$ -
Operating transfers out	(22,000)	(61,450)	(75,661)	(14,211)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (22,000)</b>	<b>\$ (22,000)</b>	<b>\$ (36,211)</b>	<b>\$ (14,211)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (37,550)</b>	<b>\$ (34,550)</b>	<b>\$ (18,011)</b>	<b>\$ 16,539</b>
<b>Fund Balances - July 1, 2003</b>	<b>523,236</b>	<b>523,236</b>	<b>523,236</b>	<b>-</b>
<b>FUND BALANCES - JUNE 30, 2004</b>	<b>\$ 485,686</b>	<b>\$ 488,686</b>	<b>\$ 505,225</b>	<b>\$ 16,539</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
MAJOR STREET FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
State revenues	\$ 124,000	\$ 124,000	\$ 136,070	\$ 12,070
Total Revenues	\$ 124,000	\$ 124,000	\$ 136,070	\$ 12,070
<b>Expenditures:</b>				
Routine maintenance	\$ 56,000	\$ 5,432	\$ 18,661	\$ (13,229)
Traffic services	7,500	7,500	8,452	(952)
Street construction	3,000	-	-	-
Nonmotorized	1,900	1,900	-	1,900
Winter maintenance	20,000	20,000	8,120	11,880
Professional fees	5,000	5,000	4,825	175
Debt service:				
Principal	16,000	16,000	10,000	6,000
Interest	11,100	11,100	9,290	1,810
Total Expenditures	\$ 120,500	\$ 66,932	\$ 59,348	\$ 7,584
Excess of Revenues Over Expenditures	\$ 3,500	\$ 57,068	\$ 76,722	\$ 19,654
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	-	(28,284)	(61,437)	(33,153)
Net Change in Fund Balance	\$ 3,500	\$ 28,784	\$ 15,285	\$ (13,499)
Fund Balances - July 1, 2003	243,178	243,178	243,178	-
FUND BALANCES - JUNE 30, 2004	\$ 246,678	\$ 271,962	\$ 258,463	\$ (13,499)

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Statement of Net Assets  
June 30, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash	\$ 167,986	\$ 47,988	\$ 215,974
Accounts receivable	63,986	99,150	163,136
Investments	-	175,714	175,714
Sewer bond cost, net of \$2,028 accumulated amortization	-	6,609	6,609
Inventory	<u>300</u>	<u>-</u>	<u>300</u>
Total Current Assets	<u>\$ 232,272</u>	<u>\$ 329,461</u>	<u>\$ 561,733</u>
Restricted Assets			
Cash and cash equivalents	\$ 81,293	\$ -	\$ 81,293
Investments	<u>65,905</u>	<u>-</u>	<u>65,905</u>
Total Restricted Assets	<u>\$ 147,198</u>	<u>\$ -</u>	<u>\$ 147,198</u>
Property, Plant, and Equipment			
Land and improvements	\$ 820,409	\$ 140,713	\$ 961,122
Building and improvements	-	1,004,470	1,004,470
Equipment	115,131	843,146	958,277
Mains	<u>796,468</u>	<u>1,275,653</u>	<u>2,072,121</u>
Total Property, Plant, and Equipment	\$ 1,732,008	\$ 3,263,982	\$ 4,995,990
Less: Accumulated Depreciation	<u>(630,378)</u>	<u>(1,675,185)</u>	<u>(2,305,563)</u>
Net Property, Plant, and Equipment	<u>\$ 1,101,630</u>	<u>\$ 1,588,797</u>	<u>\$ 2,690,427</u>
TOTAL ASSETS	<u>\$ 1,481,100</u>	<u>\$ 1,918,258</u>	<u>\$ 3,399,358</u>

The accompanying notes are an integral part of these financial statements.



	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Liabilities and Fund Equity</b>			
Current Liabilities			
Accrued wages	\$ -	\$ 588	\$ 588
Accrued interest	11,274	4,151	15,425
Unamortized bond premium	2,122	-	2,122
Accumulated vacation and sick pay	-	1,103	1,103
Current portion of long-term debt	<u>30,250</u>	<u>6,750</u>	<u>37,000</u>
 Total Current Liabilities	 \$ 43,646	 \$ 12,592	 \$ 56,238
 Long-term liabilities (net of current portion)			
Long-term debt	<u>653,500</u>	<u>166,500</u>	<u>820,000</u>
 Total Liabilities	 \$ <u>697,146</u>	 \$ <u>179,092</u>	 \$ <u>876,238</u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 417,880	\$ 1,409,705	\$ 1,827,585
Unrestricted	<u>366,074</u>	<u>329,461</u>	<u>695,535</u>
 Total Net Assets	 \$ <u>783,954</u>	 \$ <u>1,739,166</u>	 \$ <u>2,523,120</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,481,100</u>	 \$ <u>1,918,258</u>	 \$ <u>3,399,358</u>

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Revenues, Expenses and  
Changes in Net Assets  
For the Year Ended June 30, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 184,048	\$ 270,529	\$ 454,577
Penalties	4,175	6,619	10,794
Escrow sales	-	25,518	25,518
Property taxes	45,621	-	45,621
Water tower rental	5,414	-	5,414
Miscellaneous revenue	100	-	100
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ 239,358	\$ 302,666	\$ 542,024
	<hr/>	<hr/>	<hr/>
<b>Operating Expenses</b>			
Salaries and wages	\$ 29,786	\$ 92,827	\$ 122,613
Payroll taxes	-	5,305	5,305
Fringe benefits	735	8,487	9,222
Supplies	9,526	10,302	19,828
Postage	557	471	1,028
Contractual services	4,193	18,147	22,340
Professional fees	725	1,500	2,225
Telephone	549	2,250	2,799
Utilities	12,381	13,921	26,302
Repairs and maintenance	23,925	15,824	39,749
Rental	52,285	31,689	83,974
Insurance and bonds	3,269	5,269	8,538
Depreciation and amortization	41,018	67,796	108,814
Administrative fee	38,000	14,500	52,500
Miscellaneous	940	1,862	2,802
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	\$ 217,889	\$ 290,150	\$ 508,039
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	\$ 21,469	\$ 12,516	\$ 33,985
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Revenues, Expenses and  
Changes in Net Assets - Continued  
For the Year Ended June 30, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Nonoperating Revenue (Expense)</b>			
Interest income	\$ 68	\$ 1,884	\$ 1,952
Interest expense	<u>(39,644)</u>	<u>(9,037)</u>	<u>(48,681)</u>
Total Nonoperating Revenue (Expense)	\$ <u>(39,576)</u>	\$ <u>(7,153)</u>	\$ <u>(46,729)</u>
 Change in Net Assets	 \$ (18,107)	 \$ 5,363	 \$ (12,744)
Total Net Assets - July 1, 2003	<u>802,061</u>	<u>1,733,803</u>	<u>2,535,864</u>
 TOTAL NET ASSETS - JUNE 30, 2004	 <u>\$ 783,954</u>	 <u>\$ 1,739,166</u>	 <u>\$ 2,523,120</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2004**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total</u></b>
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 230,774	\$ 278,169	\$ 508,943
Payments to employees	(30,521)	(106,621)	(137,142)
Payments for interfund services	(90,285)	(46,189)	(136,474)
Payments to suppliers	(56,068)	(69,546)	(125,614)
Net cash provided by operating activities	<u>\$ 53,900</u>	<u>\$ 55,813</u>	<u>\$ 109,713</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfer to other funds	\$ -	\$ -	\$ -
Net cash used by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal paid	\$ (30,250)	\$ (6,750)	\$ (37,000)
Interest paid on debt	(39,644)	(9,037)	(48,681)
Net cash provided (used) by capital and related financing activities	<u>\$ (69,894)</u>	<u>\$ (15,787)</u>	<u>\$ (85,681)</u>
<b>Cash Flows From Investing Activities:</b>			
Investment purchased	\$ (65,905)	\$ (175,714)	\$ (241,619)
Investment from interest income	68	1,884	1,952
Net cash provided (used) by investing activities	<u>\$ (65,837)</u>	<u>\$ (173,830)</u>	<u>\$ (239,667)</u>
Net increase (decrease) in cash and cash equivalents	\$ (81,831)	\$ (133,804)	\$ (215,635)
Balance - July 1, 2003	<u>331,110</u>	<u>181,792</u>	<u>512,902</u>
<b>BALANCE - JUNE 30, 2004</b>	<u><b>\$ 249,279</b></u>	<u><b>\$ 47,988</b></u>	<u><b>\$ 297,267</b></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows - Continued  
For the Year Ended June 30, 2004**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 21,469	\$ 12,516	\$ 33,985
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 41,018	\$ 67,796	\$ 108,814
(Increases) decrease in:			
Receivables	(8,587)	(2,875)	(11,462)
Increase (decrease) in:			
Deferred revenue	-	(21,624)	(21,624)
Total adjustments	\$ 32,431	\$ 43,297	\$ 75,728
Net cash provided (used) by operating activities	\$ 53,900	\$ 55,813	\$ 109,713

**CITY OF HARTFORD  
FIDUCIARY FUNDS  
Statement of Net Assets  
June 30, 2004**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,229
<b>TOTAL ASSETS</b>	<b>\$ 3,229</b>
<b>Liabilities</b>	
Due to other governments	\$ 2,094
Due to other funds	1,135
<b>TOTAL LIABILITIES</b>	<b>\$ 3,229</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hartford operates under a council-manager form of government. Services provided for its citizens include: public safety, water and sewer services, streets, planning and zoning, and general administrative services.

The accounting methods and procedures adopted by the City of Hartford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

**A. Scope of Reporting Entity**

In evaluating how to define the City's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. All funds and account groups under direct control of the City of Hartford are included in this report.

The City has two component units, the Downtown Development Authority and the City of Hartford Building Authority. Based upon the above criteria the Downtown Development Authority has been included in the City's financial statements as a discretely presented component unit, and the City of Hartford Building Authority has been presented as a blended component unit and its data has been blended with data from other special revenue funds. A copy of the Building Authority's separate financial report may be obtained at City Hall.

The Hartford Fire Board is operated as a joint venture with the Township of Hartford. The organizational agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Hartford Fire Board are selected by the City Commission and the Hartford Township Board with other members selected by other appointees. After the operating budget has been prepared and approved by the City and the Township, each contributes its share to the budget. The City has a 50% equity claim to Fire Board property and equipment upon liquidation.

The City of Hartford and Hartford Township entered into installment purchase contracts with National City Bank for the purchase of a fire truck and equipment. The City and Township are each liable to National City for one-half of the obligation. The liability and debt payments are accounted for on the financial statements of the Hartford Fire Board.

The following financial information of the joint venture obtained from audited financial statements is as of June 30, 2003, the most recent financial statement available.

Total assets	\$ 422,873
Total liabilities	95,373
Total equity	327,500
Total revenue and other financing sources	220,977
Total expenditures	184,952
Increase in fund balance	36,025

The audited financial statements of the Hartford Fire Board for the year ended June 30, 2003, are available from the Fire Board.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expense of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All revenue items are considered to be measurable and available only when cash is received by the City.



**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued**

The City of Hartford reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the major street repair and maintenance.

The **Streetscape Fund** is used to account for the expenditures used in the streetscape project.

The City of Hartford reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the City's water production, purification, distribution, and billing.

The **Sewer Fund** accounts for the activities related to the City's sanitary collections system and wastewater treatment.

Additionally, the City of Hartford reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. Unrestricted resources are used as they are needed.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Budgetary Data**

At an April meeting the Manager submits to the City Commission a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the City Hall to obtain taxpayer comments. Prior to June 30, the budget is legally enacted on a summary budget basis through passage of a resolution.

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Hartford as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

**F. Long-Term Liabilities**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bonds premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Long-Term Liabilities - Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**G. Property Taxes**

City property taxes are levied on July 1 and are payable without penalty through September 30. The City bills and collects its own property taxes and also taxes for the County and several other municipalities within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Property taxes become available and are thus recognized as revenue in the fiscal year they are levied.

**H. Cash Flow Statement**

For purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market.

**K. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused sick pay. Upon voluntary leaving or retirement an employee is entitled to payment of 60% of his/her accumulated and unused sick pay computed at the final hourly rate of pay. Employees are not permitted to carry over vacation days. Any unused vacation days upon termination of employment are paid 100% based on the final hourly rate. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**L. Fund Balance Reserves**

A fund balance reserve arises from statutory requirements or actions already taken by the City. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City's deposits are carried at cost. Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan.

At June 30, 2004 the City has deposits with one local bank. The carrying amounts are \$510,518 with the bank balance being \$562,364. The portion of deposits covered by federal depository insurance (FDIC) is shown below.

<u>Deposits</u>	<u>Amount</u>
Amount insured by the FDIC	\$ 100,000
Amount in excess of FDIC insurance limit	<u>462,364</u>
	<u>\$ 562,364</u>

Investments are categorized into these three categories of risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year-end, the government's investment balances were as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Reported Amount/</u> <u>Fair Value</u>
Corporate Bonds	\$ -	\$ -	\$ 542,999	\$ 542,999
U. S. Government Securities	<u>-</u>	<u>-</u>	<u>252,144</u>	<u>252,144</u>
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,143</u>	<u>\$ 795,143</u>

**NOTE 3 - EXPENDITURES OVER BUDGET**

The annual budget is prepared by the City management and adopted by the City Commission. Subsequent amendments are approved by the City Commission.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 3 - EXPENDITURES OVER BUDGET - Continued**

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2004, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
General Fund:			
General Government	\$ 272,350	\$ 280,372	\$ (8,022)
Operating Transfers - Replacement Fund	45,450	51,100	(5,650)
Operating Transfers - Streetscape Fund	-	8,561	(8,561)
Recreation and Culture	4,300	6,273	(1,973)
Debt Service - Principal	19,600	21,819	(2,219)
Debt Service - Interest	1,000	2,763	(1,763)
Special Revenue Fund:			
Sidewalk Fund	6,500	6,970	(470)
Building Department Fund	10,150	12,874	(2,724)
Building Authority Fund	-	45,097	(45,097)
Capital Projects:			
Property Replacement Fund	35,000	61,426	(26,426)
Enterprise Fund:			
Sewer Fund	262,900	290,150	(27,250)
Water Fund	206,800	217,889	(11,089)

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2004 were as follows:

	<b>Balance July 1, 2003 (As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2004</b>
<b>Governmental Activities</b>				
Land	\$ 85,483	\$ -	\$ -	\$ 85,483
Other nondepreciable assets	<u>-</u>	<u>269,902</u>	<u>-</u>	<u>269,902</u>
Total Nondepreciable Assets	<u>\$ 85,483</u>	<u>\$ 269,902</u>	<u>\$ -</u>	<u>\$ 355,385</u>
Buildings	\$ 870,317	\$ -	\$ -	\$ 870,317
Machinery and equipment	200,387	69,006	(39,895)	229,498
Office equipment	47,130	-	-	47,130
Vehicles	<u>79,684</u>	<u>21,977</u>	<u>(21,247)</u>	<u>80,414</u>
Subtotal	\$ 1,197,518	\$ 90,983	\$ (61,142)	\$ 1,227,359
Less: Accumulated Depreciation	<u>(150,238)</u>	<u>(47,204)</u>	<u>17,166</u>	<u>(180,276)</u>
Total Capital Assets Other Than Land	<u>\$ 1,047,280</u>	<u>\$ 43,779</u>	<u>\$ (43,976)</u>	<u>\$ 1,047,083</u>
<b>Business Activities</b>				
Land	<u>\$ 149,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,333</u>
Buildings and improvements	\$ 1,004,470	\$ -	\$ -	\$ 1,004,470
Land improvements	811,789	-	-	811,789
Equipment	958,277	-	-	958,277
Utility systems	<u>2,072,121</u>	<u>-</u>	<u>-</u>	<u>2,072,121</u>
Subtotal	\$ 4,846,657	\$ -	\$ -	\$ 4,846,657
Less: Accumulated Depreciation	<u>(2,197,046)</u>	<u>(108,517)</u>	<u>-</u>	<u>(2,305,563)</u>
Total Capital Assets Other Than Land	<u>\$ 2,649,611</u>	<u>\$ (108,517)</u>	<u>\$ -</u>	<u>\$ 2,541,094</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2004:

	<u>Bonds</u>	<u>Other Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2003	\$ 1,869,000	\$ 53,767	\$ 38,630	\$ 1,961,397
New debt	-	39,450	-	39,450
Debt redeemed	(55,000)	(20,943)	-	(75,943)
Compensated absences	-	-	(3,896)	(3,896)
Balance at June 30, 2004	<u>\$ 1,814,000</u>	<u>\$ 72,274</u>	<u>\$ 34,734</u>	<u>\$ 1,921,008</u>

Long-term debt at June 30, 2004 is comprised of the following individual issues:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Governmental Activities - Primary Activities</b>					
\$27,765 Township of Hartford for annexation of property by the City conditional upon installation of water and sewer main along County Road 687 by December 31, 2013. Due in annual installments increasing from \$1,860 to \$ 3,683 through February 15, 2014, including interest at 5%.	\$ 15,272	\$ -	\$ (1,388)	\$ 13,884	\$ 1,388
\$220,000 1999 Michigan Transportation Fund Bonds due in annual installments of \$10,000 to \$20,000 through August 1, 2014, plus interest at 5.0% to 5.1%.	190,000	-	(10,000)	180,000	10,000
\$60,831 2001 dump truck loan due in annual installments of \$14,320 through November 20, 2005, including interest at 5.69%.	38,495	-	(12,130)	26,365	12,820
\$732,000 2001 Building Authority Bonds, Series A, due in annual installments of \$7,000 to \$45,000 through November 1, 2042, plus interest at 4.75%.	726,000	-	(7,000)	719,000	7,000
\$60,000 2001 Building Authority Bonds, Series B, due in annual installments of \$1,000 to \$3,000 through November 1, 2039 plus interest at 4.75%.	59,000	-	(1,000)	58,000	1,000

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 5 - LONG-TERM DEBT - Continued**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities -</b>					
<b>Primary Activities - Continued</b>					
\$39,450 2003 310SG backhoe loan due in annual installments of \$13,716 to \$5,715 through November 5, 2007, including interest at 2.74%	-	39,450	(7,425)	32,025	13,000
Compensated absences - General Fund, Property Replacement Fund, Streetscape Fund, Building Department Fund, Local Street Fund, Major Street Fund and Sidewalk Fund.	37,527	-	(3,896)	33,631	-
<b>Total Primary Government</b>	<u>\$ 1,066,294</u>	<u>\$ 39,450</u>	<u>\$ (42,839)</u>	<u>\$ 1,062,905</u>	<u>\$ 45,208</u>
<b>Business Activities</b>					
\$200,000 1987 Water Supply Revenue Bonds, Series A, due in annual installments of \$5,000 to \$10,000 through January 1, 2027, plus interest at 6.125%.	\$ 135,000	\$ -	\$ (5,000)	\$ 130,000	\$ 5,000
\$75,000 1987 Water Supply Revenue Bonds, Series B, due in annual installments of \$2,000 to \$3,000 through January 1, 2027, plus interest at 5.75%.	49,000	-	(2,000)	47,000	2,000
\$395,000 Unlimited Tax General Obligation Bonds due in annual installments of \$15,000 to \$35,000 through October 15, 2015, plus interest at 5.5% to 6.1%.	310,000	-	(15,000)	295,000	15,000
\$425,000 1999 Water Supply and Sewage Disposal System Bonds due in annual installments of \$15,000 to \$30,000 through November 1, 2020, plus interest at 5.0% to 6.0%.	400,000	-	(15,000)	385,000	15,000
Compensated absences - Water Fund and Sewer Fund.	1,103	-	-	1,103	-
<b>Total Business Activities</b>	<u>\$ 895,103</u>	<u>\$ -</u>	<u>\$ (37,000)</u>	<u>\$ 858,103</u>	<u>\$ 37,000</u>



**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 5 - LONG-TERM DEBT - Continued**

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2005	\$ 45,210	\$ 48,710	\$ 37,000	\$ 48,036
2006	46,295	46,862	42,000	44,759
2007	31,049	44,883	42,000	43,531
2008	25,388	43,783	42,000	41,214
2009	25,388	42,743	42,000	38,876
2010-2014	155,944	195,517	285,000	150,144
2015-2019	86,000	154,412	235,000	71,128
2020-2024	84,000	136,328	95,000	23,222
2025-2029	108,000	113,387	37,000	5,210
2030-2034	134,000	85,029	-	-
2035-2039	170,000	48,879	-	-
2040-2044	118,000	8,837	-	-
Total	<u>\$ 1,029,274</u>	<u>\$ 969,370</u>	<u>\$ 857,000</u>	<u>\$ 466,120</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

During the year, the following transfers were made between funds:

**From General Fund**

To Property Replacement Fund - for backhoe and police car	\$ 51,100
To Sidewalk Fund - for sidewalk repairs	3,000
To Local Street Fund - for operations	13,000
To Streetscape Fund - for construction project	8,561

**From Local Street Fund**

To Streetscape Fund - for construction project	10,000
To Sidewalk Fund - for sidewalk repairs	2,000

**From Major Street Fund**

To Streetscape Fund - for construction fund	59,437
To Sidewalk Fund - for sidewalk repairs	2,000

Total Transfers Between Funds \$ 149,098

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2004, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust and Agency Fund	\$ 1,135
	Streetscape Fund	<u>6,000</u>
	Total	<u>\$ 7,135</u>

**NOTE 7 - SEGMENT INFORMATION FROM ENTERPRISE FUNDS**

The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended June 30, 2004 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 188,223	\$ 277,148	\$ 465,371
Depreciation and amortization	41,018	67,796	108,814
Operating income (loss)	(29,666)	(13,002)	(42,668)
Nonoperating revenues (expenses)	11,559	18,365	29,924
Change in net assets	(18,107)	5,363	(12,744)
Property, plant, and equipment additions	-	-	-
Net working capital	262,781	316,869	579,650
Long-term debt	661,750	166,500	828,250
Total assets	1,481,100	1,918,258	3,399,358
Total net assets	783,954	1,739,166	2,523,120

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of recent federal legislation with regard to Internal Revenue Code Section 457, the City no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are no longer subject to the claims of the general creditors of the City. Therefore, the City is no longer required to account for the deferred compensation plan and the agency that accounted for it has been eliminated.

**NOTE 9 - NET ASSETS**

Reservations of net assets are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as donor-restricted endowments and long-term advances to other funds or entities.

At June 30, 2004, reservations of fund equity consisted of the following:

**ENTERPRISE FUNDS**

Water Fund	
Reserved for restricted assets	<u>\$ 147,198</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 10 - LEASE AGREEMENT**

On December 4, 2001, the City of Hartford Building Authority issued City of Hartford Building Authority, Building Authority Bonds, Series 2001A and 2001B in the amount \$732,000 and \$60,000 respectively. Subsequent to issuing bonds, the Building Authority constructed a new City Hall and Police Department headquarters. The City of Hartford entered into a lease contract with the Building Authority. The lease contract provides for the City to pay the Building Authority rent for the City Hall in an amount sufficient to enable the Building Authority to pay the principal and interest on the bonds issued by the Building Authority. The lease contract will terminate when all bonds issued by the Building Authority to finance the project have been retired. At that time, the Building Authority will convey to the City all of its rights, title and interest in the City Hall.

**NOTE 11 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment to GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2004**

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Rick Hall is a commission member for the City. During the year, Mr. Hall contracted with the City to perform repairs on the sidewalks. Normally the City would be charged \$4.50 per square foot for the repairs for the sidewalks but Mr. Hall contracted with the City at only \$2.50 per square foot. Mr. Hall only charged for the materials that were rendered. For the year ended June 30, 2004, the City has paid Mr. Hall \$3,067.

**CITY OF HARTFORD  
NONMAJOR GOVERNMENTAL FUNDS  
Description of Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Sidewalk Fund** - This fund is used to account for revenues collected and monies expended for the purpose of street sidewalks.

**Local Street Fund** - This fund is used to account for revenues collected and monies expended for local street improvements.

**Building Department Fund** - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

**Building Authority** - This fund is a blended component unit. It is used to collect lease payments from the City and make debt payments.

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Property Replacement Fund** - This fund is used to account for the capital improvements to replace obsolete equipment.

**CITY OF HARTFORD  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2004**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 70,746	\$ 51,320	\$ 122,066
Due from other governments	<u>3,963</u>	<u>-</u>	<u>3,963</u>
Total Current Assets	<u>\$ 74,709</u>	<u>\$ 51,320</u>	<u>\$ 126,029</u>
TOTAL ASSETS	<u>\$ 74,709</u>	<u>\$ 51,320</u>	<u>\$ 126,029</u>
 <b>Fund Balances:</b>			
Unreserved, report in			
Special Revenue	\$ 74,709	\$ -	\$ 74,709
Capital Projects	<u>-</u>	<u>51,320</u>	<u>51,320</u>
Total Fund Balances	<u>\$ 74,709</u>	<u>\$ 51,320</u>	<u>\$ 126,029</u>
TOTAL FUND BALANCES	<u>\$ 74,709</u>	<u>\$ 51,320</u>	<u>\$ 126,029</u>

**CITY OF HARTFORD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
State revenues	\$ 50,794	\$ -	\$ 50,794
Rent	46,800	-	46,800
Licenses and permits	13,294	-	13,294
Interest	<u>25</u>	<u>-</u>	<u>25</u>
Total Revenues	<u>\$ 110,913</u>	<u>\$ -</u>	<u>\$ 110,913</u>
<b>Expenditures</b>			
Current:			
Highways and streets	\$ 46,092	\$ -	\$ 46,092
Public safety	12,874	21,976	34,850
Public works	-	39,450	39,450
Debt service:			
Principal retirement	8,000	-	8,000
Interest	<u>37,097</u>	<u>-</u>	<u>37,097</u>
Total Expenditures	<u>\$ 104,063</u>	<u>\$ 61,426</u>	<u>\$ 165,489</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 6,850</u>	<u>\$ (61,426)</u>	<u>\$ (54,576)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale	\$ -	\$ 10,328	\$ 10,328
Operating transfers in	20,000	51,100	71,100
Operating transfers out	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Total Other Financing Sources (Uses)	<u>\$ 8,000</u>	<u>\$ 61,428</u>	<u>\$ 69,428</u>
Net Change in Fund Balances	\$ 14,850	\$ 2	\$ 14,852
Fund Balance - July 1, 2003	<u>59,859</u>	<u>51,318</u>	<u>111,177</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 74,709</u>	<u>\$ 51,320</u>	<u>\$ 126,029</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Taxes	\$ 338,000	\$ 319,942	\$ (18,058)
Tax administration fee	10,500	13,350	2,850
Licenses and permits	-	16,699	16,699
Equipment rental	125,000	110,794	(14,206)
State revenue	338,000	338,626	626
Federal grant	41,443	43,376	1,933
Charges for services	-	2,981	2,981
Fines and forfeits	-	1,491	1,491
Interest	30,000	10,020	(19,980)
Administration fee - other funds	57,500	57,638	138
Other	10,500	4,182	(6,318)
Total Revenues	<u>\$ 950,943</u>	<u>\$ 919,099</u>	<u>\$ (31,844)</u>
<b>Expenditures</b>			
Legislative	\$ 17,000	\$ 12,981	\$ 4,019
General government	272,350	280,372	(8,022)
Public safety	435,243	395,733	39,510
Public works	214,000	180,958	33,042
Recreation and culture	4,300	6,273	(1,973)
Debt service:			
Principal	19,600	21,819	(2,219)
Interest	1,000	2,763	(1,763)
Total Expenditures	<u>\$ 963,493</u>	<u>\$ 900,899</u>	<u>\$ 62,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (12,550)</u>	<u>\$ 18,200</u>	<u>\$ 30,750</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from loans	\$ 39,450	\$ 39,450	\$ -
Operating transfers out	(61,450)	(75,661)	(14,211)
Total Other Financing Sources (Uses)	<u>\$ (22,000)</u>	<u>\$ (36,211)</u>	<u>\$ (14,211)</u>
Net Change in Fund Balance	\$ (34,550)	\$ (18,011)	\$ 16,539
Fund Balance - July 1, 2003	523,236	523,236	-
FUND BALANCE - JUNE 30, 2004	<u>\$ 488,686</u>	<u>\$ 505,225</u>	<u>\$ 16,539</u>



**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Legislative</b>			
City Council:			
Salaries and wages	\$ 7,200	\$ 7,000	\$ 200
Benefits	1,000	725	275
Insurance and bonds	2,500	-	2,500
Membership dues	2,100	2,153	(53)
Training fund	2,000	-	2,000
Miscellaneous	500	1,603	(1,103)
Total City Council	<u>\$ 15,300</u>	<u>\$ 11,481</u>	<u>\$ 3,819</u>
Mayor:			
Salaries and wages	\$ 1,500	\$ 1,500	\$ -
Benefits	200	-	200
Total Mayor	<u>\$ 1,700</u>	<u>\$ 1,500</u>	<u>\$ 200</u>
TOTAL LEGISLATIVE	<u>\$ 17,000</u>	<u>\$ 12,981</u>	<u>\$ 4,019</u>
<b>General Government</b>			
City Manager:			
Salaries and wages	\$ 53,040	\$ 57,536	\$ (4,496)
Benefits	15,378	13,483	1,895
Insurance and bonds	272	88	184
Membership dues	500	175	325
Contractual services	1,200	-	1,200
Miscellaneous	1,100	1,354	(254)
Total City Manager	<u>\$ 71,490</u>	<u>\$ 72,636</u>	<u>\$ (1,146)</u>
Elections:			
Salaries and wages	\$ 1,500	\$ -	\$ 1,500
Postage	300	-	300
Supplies	1,000	1,090	(90)
Contractual services	800	533	267
Travel	100	-	100
Publishing	500	-	500
Total Elections	<u>\$ 4,200</u>	<u>\$ 1,623</u>	<u>\$ 2,577</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
Assessor:			
Contractual services	\$ 13,500	\$ 13,959	\$ (459)
Supplies	1,500	-	1,500
Miscellaneous	500	315	185
Total Assessor	<u>\$ 15,500</u>	<u>\$ 14,274</u>	<u>\$ 1,226</u>
Professional Services:			
Legal	\$ 4,000	\$ 2,237	\$ 1,763
Audit	10,000	10,750	(750)
Total Professional Services	<u>\$ 14,000</u>	<u>\$ 12,987</u>	<u>\$ 1,013</u>
Clerk:			
Salaries	\$ 29,000	\$ 33,198	\$ (4,198)
Benefits	11,370	10,903	467
Supplies	1,000	-	1,000
Postage	200	-	200
Travel	100	-	100
Equipment repairs and maintenance	400	-	400
Insurance and bonds	500	-	500
Publishing	500	530	(30)
Contractual services	600	67	533
Office equipment	500	536	(36)
Miscellaneous	500	252	248
Total Clerk	<u>\$ 44,670</u>	<u>\$ 45,486</u>	<u>\$ (816)</u>
Central Supply:			
Supplies	\$ 3,000	\$ 2,999	\$ 1
Repairs and maintenance	1,500	434	1,066
Total Central Supply	<u>\$ 4,500</u>	<u>\$ 3,433</u>	<u>\$ 1,067</u>
Board of Review:			
Salaries	\$ 1,200	\$ 719	\$ 481
Benefits	100	-	100
Publishing	200	-	200
Training	300	-	300
Miscellaneous	-	230	(230)
Total Board of Review	<u>\$ 1,800</u>	<u>\$ 949</u>	<u>\$ 851</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
Treasurer:			
Salaries and wages	\$ 32,240	\$ 34,686	\$ (2,446)
Benefits	11,550	11,003	547
Postage	1,200	1,102	98
Travel	1,100	419	681
Contractual services	1,000	-	1,000
Insurance and bonds	700	-	700
Operating supplies	1,800	848	952
Office equipment	500	199	301
Training	1,400	-	1,400
Miscellaneous	500	2,836	(2,336)
Total Treasurer	<u>\$ 51,990</u>	<u>\$ 51,093</u>	<u>\$ 897</u>
City Hall and Grounds:			
Contractual services	\$ 2,500	\$ 5,206	\$ (2,706)
Utilities and telephone	9,400	7,803	1,597
Repairs and maintenance	1,000	7,676	(6,676)
Insurance and bonds	1,000	5,269	(4,269)
Building improvements	500	-	500
Lease expense	46,800	46,800	-
Equipment	500	662	(162)
Supplies	2,500	4,475	(1,975)
Total City Hall and Grounds	<u>\$ 64,200</u>	<u>\$ 77,891</u>	<u>\$ (13,691)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 272,350</u>	<u>\$ 280,372</u>	<u>\$ (8,022)</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Police Department:			
Salaries and wages	\$ 241,943	\$ 242,863	\$ (920)
Benefits	77,500	67,155	10,345
Supplies	2,400	3,833	(1,433)
Postage	500	198	302
Legal	1,000	875	125
Clothing allowance	3,000	1,139	1,861
Gasoline and oil	4,500	4,919	(419)
Contractual services	500	253	247
Telephone	4,500	3,598	902
Repairs and maintenance	3,000	1,191	1,809
Training fund	1,500	(766)	2,266
Membership fees	200	145	55
Insurance and bonds	4,500	5,269	(769)
Equipment rental	1,500	-	1,500
Capital outlay	26,200	4,902	21,298
Total Police Department	<u>\$ 372,743</u>	<u>\$ 335,574</u>	<u>\$ 37,169</u>
Fire Department:			
Contribution to Fire Board	<u>\$ 56,000</u>	<u>\$ 55,294</u>	<u>\$ 706</u>
Total Fire Department	<u>\$ 56,000</u>	<u>\$ 55,294</u>	<u>\$ 706</u>
Zoning Board:			
Salaries and wages	\$ 4,600	\$ 2,200	\$ 2,400
Benefits	400	184	216
Contractual services	300	1,720	(1,420)
Supplies	300	469	(169)
Postage	100	-	100
Training	500	292	208
Miscellaneous	300	-	300
Total Zoning Board	<u>\$ 6,500</u>	<u>\$ 4,865</u>	<u>\$ 1,635</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>\$ 435,243</u>	<u>\$ 395,733</u>	<u>\$ 39,510</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Works</b>			
Department of Public Works:			
Salaries and wages	\$ 90,000	\$ 69,642	\$ 20,358
Benefits	44,500	47,291	(2,791)
Supplies	6,000	5,975	25
Clothing allowance	2,000	1,394	606
Gasoline and oil	9,000	9,699	(699)
Contractual services	8,000	7,700	300
Utilities and telephone	6,000	6,711	(711)
Street lighting	24,000	16,322	7,678
Repairs and maintenance	15,000	10,232	4,768
Training	1,000	66	934
Capital outlay	-	425	(425)
Insurance and bonds	8,000	5,269	2,731
Membership fees	500	-	500
Miscellaneous	-	232	(232)
<b>TOTAL PUBLIC WORKS</b>	<u>\$ 214,000</u>	<u>\$ 180,958</u>	<u>\$ 33,042</u>
<b>Recreation and Culture</b>			
Loan closet	\$ 300	\$ -	\$ 300
Miscellaneous	<u>4,000</u>	<u>6,273</u>	<u>(2,273)</u>
<b>Total Recreation and Culture</b>	<u>\$ 4,300</u>	<u>\$ 6,273</u>	<u>\$ (1,973)</u>
<b>Debt Service</b>			
Principal	\$ 19,600	\$ 20,943	\$ (1,343)
Interest	<u>1,000</u>	<u>3,639</u>	<u>(2,639)</u>
<b>Total Debt Service</b>	<u>\$ 20,600</u>	<u>\$ 24,582</u>	<u>\$ (3,982)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 963,493</u>	<u>\$ 900,899</u>	<u>\$ 62,594</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Other Financing Sources and Uses - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Uses</b>			
Operating transfer to Local Street Fund	\$ 13,000	\$ 13,000	\$ -
Operating transfer to Sidewalk Fund	3,000	3,000	-
Operating transfer to Streetscape Fund	-	8,561	(8,561)
Operating transfer to Replacement Fund	<u>45,450</u>	<u>51,100</u>	<u>(5,650)</u>
 TOTAL USES	 <u>\$ 61,450</u>	 <u>\$ 75,661</u>	 <u>\$ (14,211)</u>

**CITY OF HARTFORD  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2004**

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 52,553	\$ 1,773	\$ 14,692	\$ 1,728	\$ 70,746
Due from other governmental units	<u>3,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,963</u>
<b>TOTAL ASSETS</b>	<u>\$ 56,516</u>	<u>\$ 1,773</u>	<u>\$ 14,692</u>	<u>\$ 1,728</u>	<u>\$ 74,709</u>
<b>Fund Balance</b>					
Unreserved - undesignated	<u>\$ 56,516</u>	<u>\$ 1,773</u>	<u>\$ 14,692</u>	<u>\$ 1,728</u>	<u>\$ 74,709</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 56,516</u>	<u>\$ 1,773</u>	<u>\$ 14,692</u>	<u>\$ 1,728</u>	<u>\$ 74,709</u>

**CITY OF HARTFORD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>
<b>Revenues</b>			
State revenue	\$ 50,794	\$ -	\$ -
Rent revenue	-	-	-
Permits	-	-	13,294
Miscellaneous revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 50,794	\$ -	\$ 13,294
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Routine maintenance	\$ 23,853	\$ 6,970	\$ -
Traffic services	890	-	-
Non-motorized	13,270	-	-
Winter maintenance	234	-	-
Debt service	-	-	-
Building department	-	-	12,874
Professional fees	875	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 39,122	\$ 6,970	\$ 12,874
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 11,672	\$ (6,970)	\$ 420
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources</b>			
Operating transfers in	\$ 13,000	\$ 7,000	\$ -
Operating transfers out	(12,000)	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	\$ 1,000	\$ 7,000	\$ -
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ 12,672	\$ 30	\$ 420
	<hr/>	<hr/>	<hr/>
Fund Balances - July 1, 2003	43,844	1,743	14,272
	<hr/>	<hr/>	<hr/>
FUND BALANCES - JUNE 30, 2004	\$ 56,516	\$ 1,773	\$ 14,692
	<hr/>	<hr/>	<hr/>



<u>Building Authority</u>	<u>Total</u>
\$ -	\$ 50,794
46,800	46,800
-	13,294
<u>25</u>	<u>25</u>
<u>\$ 46,825</u>	<u>\$ 110,913</u>
\$ -	\$ 30,823
-	890
-	13,270
-	234
45,097	45,097
-	12,874
<u>-</u>	<u>875</u>
<u>\$ 45,097</u>	<u>\$ 104,063</u>
<u>\$ 1,728</u>	<u>\$ 6,850</u>
\$ -	\$ 20,000
<u>-</u>	<u>(12,000)</u>
<u>\$ -</u>	<u>\$ 8,000</u>
\$ 1,728	\$ 14,850
<u>-</u>	<u>59,859</u>
<u>\$ 1,728</u>	<u>\$ 74,709</u>

**CITY OF HARTFORD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<u>Local Street Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
State revenue		\$ 50,794	
Rent revenue		-	
Permits		-	
Miscellaneous revenue		-	
Total Revenues	\$ 58,000	\$ 50,794	\$ (7,206)
<b>Expenditures</b>			
Administration	\$ 1,000	\$ -	\$ 1,000
Routine maintenance	41,000	23,853	17,147
Traffic services	3,900	890	3,010
Non-motorized	600	13,270	(12,670)
Winter maintenance	10,500	234	10,266
Debt service	1,000	-	1,000
Building department	-	-	-
Professional fees	-	875	(875)
Total Expenditures	\$ 58,000	\$ 39,122	\$ 18,878
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 11,672	\$ 11,672
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	\$ -	\$ 13,000	\$ 13,000
Operating transfers out	-	(12,000)	(12,000)
Total Other Financing Sources (Uses)	\$ -	\$ 1,000	\$ 1,000
Net Change in Fund Balance	\$ -	\$ 12,672	\$ 12,672
Fund Balances - July 1, 2003	43,844	43,844	-
FUND BALANCES - JUNE 30, 2004	\$ 43,844	\$ 56,516	\$ 12,672

Sidewalk Fund			Building Department Fund		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$ -	-		\$ -	-
		-			-
		-		13,294	-
		-			-
\$ -	\$ -	\$ -	\$ 12,287	\$ 13,294	\$ 1,007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,500	6,970	(470)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,150	12,874	(2,724)
-	-	-	-	-	-
\$ 6,500	\$ 6,970	\$ (470)	\$ 10,150	\$ 12,874	\$ (2,724)
\$ (6,500)	\$ (6,970)	\$ (470)	\$ 2,137	\$ 420	\$ (1,717)
\$ 4,000	\$ 7,000	\$ 3,000	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ 4,000	\$ 7,000	\$ 3,000	\$ -	\$ -	\$ -
\$ (2,500)	\$ 30	\$ 2,530	\$ 2,137	\$ 420	\$ (1,717)
1,743	1,743	-	14,272	14,272	-
\$ (757)	\$ 1,773	\$ 2,530	\$ 16,409	\$ 14,692	\$ (1,717)

**CITY OF HARTFORD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual - Continued**  
**For the Year Ended June 30, 2004**

	<b>Building Authority Fund</b>		
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>			
State revenue		\$ -	
Rent revenue		46,800	
Permits		-	
Miscellaneous revenue		<u>25</u>	
Total Revenues	\$ 46,800	\$ 46,825	\$ 25
<b>Expenditures</b>			
Administration	\$ -	\$ -	\$ -
Routine maintenance	-	-	-
Traffic services	-	-	-
Non-motorized	-	-	-
Winter maintenance	-	-	-
Debt service	-	45,097	(45,097)
Building department	-	-	-
Professional fees	-	-	-
Total Expenditures	\$ -	\$ 45,097	\$ (45,097)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 46,800	\$ 1,728	\$ (45,072)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total Other Financing Sources	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 46,800	\$ 1,728	\$ (45,072)
Fund Balances - July 1, 2003	-	-	-
FUND BALANCES - JUNE 30, 2004	\$ 46,800	\$ 1,728	\$ (45,072)

<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$ 50,794	
	46,800	
	13,294	
	<u>25</u>	
\$ 117,087	\$ 110,913	\$ (6,174)
\$ 1,000	\$ -	\$ 1,000
47,500	30,823	16,677
3,900	890	3,010
600	13,270	(12,670)
10,500	234	10,266
1,000	45,097	(44,097)
10,150	12,874	(2,724)
-	875	(875)
\$ 74,650	\$ 104,063	\$ (29,413)
\$ 42,437	\$ 6,850	\$ (35,587)
\$ 4,000	\$ 20,000	\$ 16,000
-	(12,000)	(12,000)
\$ 4,000	\$ 8,000	\$ 4,000
\$ 46,437	\$ 14,850	\$ (31,587)
59,859	59,859	-
\$ 106,296	\$ 74,709	\$ (31,587)

**CITY OF HARTFORD  
NONMAJOR CAPITAL PROJECTS FUNDS  
Balance Sheet  
June 30, 2004**

	<b>Property Replacement <u>Fund</u></b>
<b>Assets</b>	
Current assets	
Cash	\$ 51,320
Due from other governments	<u>-</u>
Total Current Assets	<u>\$ 51,320</u>
<b>Liabilities</b>	
Current liabilities	
Due to general fund	\$ <u>-</u>
Total Current Liabilities	<u>\$ -</u>
<b>Fund Equity</b>	
Fund balance:	
Reserved for restricted assets	\$ -
Unreserved	<u>51,320</u>
Total Fund Equity	<u>\$ 51,320</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 51,320</u>

**CITY OF HARTFORD  
NONMAJOR CAPITAL PROJECTS FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2004**

	<b>Property Replacement Fund</b>
<b>Revenues</b>	
Federal revenue	\$ -
<b>Total Revenues</b>	<u>\$ -</u>
<b>Expenditures</b>	
Land/street improvements	\$ -
Engineering	-
Capital outlay	<u>61,426</u>
<b>Total Expenditures</b>	<u>\$ 61,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (61,426)</u>
<b>Other Financing Sources (Uses)</b>	
Proceeds from sale	\$ 10,328
Operating transfers in	<u>51,100</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 61,428</u>
<b>Net Change in Fund Balance</b>	<u>\$ 2</u>
Fund Balances - July 1, 2003	<u>51,318</u>
<b>FUND BALANCES - JUNE 30, 2004</b>	<u><u>\$ 51,320</u></u>

**CITY OF HARTFORD**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2004**

		<b>Property Replacement Fund</b>		
		<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>Revenues</b>				
	Total Revenues	\$ -	\$ -	\$ -
<b>Expenditures</b>				
	Capital outlay			
	Total Expenditures	\$ 35,000	\$ 61,426	\$ (26,426)
	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (35,000)	\$ (61,426)	\$ (26,426)
<b>Other Financing Sources (Uses)</b>				
	Proceeds from sale	\$ 11,930	\$ 10,328	\$ (1,602)
	Operating transfers in	59,020	51,100	(7,920)
	Total Other Financing Sources (Uses)	\$ 70,950	\$ 61,428	\$ (9,522)
	Net Change in Fund Balance	\$ 35,950	\$ 2	\$ (35,948)
	Fund Balances - July 1, 2003	51,318	51,318	-
	<b>FUND BALANCES - JUNE 30, 2004</b>	<b>\$ 87,268</b>	<b>\$ 51,320</b>	<b>\$ (35,948)</b>



**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Revenues, Expenses, and  
Changes in Net Assets - Budget and Actual  
For the Year Ended June 30, 2004**

	<u>Water Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating Revenues</b>			
Charges for services		\$ 184,048	
Penalties		4,175	
Total Operating Revenues	\$ 279,000	\$ 188,223	\$ (90,777)
<b>Operating Expenses</b>			
Salaries and wages	\$ 36,000	\$ 29,786	\$ 6,214
Payroll taxes	1,500	-	1,500
Fringe benefits	7,000	735	6,265
Supplies	20,500	9,526	10,974
Postage	600	557	43
Contractual services	10,000	4,193	5,807
Professional fees	1,500	725	775
Telephone	1,200	549	651
Utilities	19,000	12,381	6,619
Repairs and maintenance	15,000	23,925	(8,925)
Rental	15,000	52,285	(37,285)
Insurance and bonds	4,500	3,269	1,231
Capital outlay	33,000	-	33,000
Depreciation and amortization	-	41,018	(41,018)
Administrative fee	38,000	38,000	-
Miscellaneous	4,000	940	3,060
Total Operating Expenses	\$ 206,800	\$ 217,889	\$ (11,089)
Operating Income (Loss)	\$ 72,200	\$ (29,666)	\$ (101,866)
<b>Nonoperating Revenues (Expenses)</b>			
Escrow sales		\$ -	
Property taxes		45,621	
Water tower rental		5,414	
Miscellaneous revenue		100	
Interest income		68	
Interest expense		(39,644)	
Total Nonoperating Revenues (Expenses)	\$ (70,620)	\$ 11,559	\$ 82,179
Change in Net Assets	\$ 1,580	\$ (18,107)	\$ (19,687)
Total Net Assets - July 1, 2003	802,061	802,061	-
TOTAL NET ASSETS - JUNE 30, 2004	\$ 803,641	\$ 783,954	\$ (19,687)

Sewer Fund			Total		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$ 270,529			\$ 454,577	
	6,619			10,794	
\$ 310,000	\$ 277,148	\$ (32,852)	\$ 589,000	\$ 465,371	\$ (123,629)
\$ 81,600	\$ 92,827	\$ (11,227)	\$ 117,600	\$ 122,613	\$ (5,013)
7,600	5,305	2,295	9,100	5,305	3,795
18,500	8,487	10,013	25,500	9,222	16,278
24,900	10,302	14,598	45,400	19,828	25,572
800	471	329	1,400	1,028	372
19,000	18,147	853	29,000	22,340	6,660
3,000	1,500	1,500	4,500	2,225	2,275
3,000	2,250	750	4,200	2,799	1,401
22,500	13,921	8,579	41,500	26,302	15,198
36,500	15,824	20,676	51,500	39,749	11,751
11,000	31,689	(20,689)	26,000	83,974	(57,974)
3,200	5,269	(2,069)	7,700	8,538	(838)
15,000	-	15,000	48,000	-	48,000
-	67,796	(67,796)	-	108,814	(108,814)
14,500	14,500	-	52,500	52,500	-
1,800	1,862	(62)	5,800	2,802	2,998
\$ 262,900	\$ 290,150	\$ (27,250)	\$ 469,700	\$ 508,039	\$ (38,339)
\$ 47,100	\$ (13,002)	\$ (60,102)	\$ 119,300	\$ (42,668)	\$ (161,968)
	\$ 25,518			\$ 25,518	
	-			45,621	
	-			5,414	
	-			100	
	1,884			1,952	
	(9,037)			(48,681)	
\$ (22,900)	\$ 18,365	\$ 41,265	\$ (93,520)	\$ 29,924	\$ 123,444
\$ 24,200	\$ 5,363	\$ (18,837)	\$ 25,780	\$ (12,744)	\$ (38,524)
1,733,803	1,733,803	-	2,535,864	2,535,864	-
\$ 1,758,003	\$ 1,739,166	\$ (18,837)	\$ 2,561,644	\$ 2,523,120	\$ (38,524)

**CITY OF HARTFORD**  
**AGENCY FUNDS**  
**Statement of Changes in Assets and Liabilities**  
**Trust and Agency Fund**  
**For the Year Ended June 30, 2004**

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>Assets</b>				
Cash	\$ 2,635	\$ 3,411	\$ 2,717	\$ 3,329
<b>TOTAL ASSETS</b>	<u>\$ 2,635</u>	<u>\$ 3,411</u>	<u>\$ 2,717</u>	<u>\$ 3,329</u>
<b>Liabilities and Fund Balance</b>				
Due to employees	\$ 32	\$ 192	\$ 98	\$ 126
Due to recreation fund	8	-	-	8
Due to general fund	-	1,135	-	1,135
Due to other governmental units	2,433	2,085	2,620	1,898
Memorial fund	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,635</u>	<u>\$ 3,412</u>	<u>\$ 2,718</u>	<u>\$ 3,329</u>

**CITY OF HARTFORD  
AGENCY FUNDS  
Current Tax Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2004**

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance June 30, 2004</u>
<b>Assets</b>				
Cash	\$ -	\$ 1,078,460	\$ 1,078,460	\$ -
 TOTAL ASSETS	 \$ -	 \$ 1,078,460	 \$ 1,078,460	 \$ -
 <b>Liabilities</b>				
Due to other funds	\$ -	\$ 353,735	\$ 353,735	\$ -
Due to other governmental units	-	724,725	724,725	-
 TOTAL LIABILITIES AND FUND BALANCE	 \$ -	 \$ 1,078,460	 \$ 1,078,460	 \$ -

**CITY OF HARTFORD**  
**2003 Purchase Contract - Backhoe**  
**June 30, 2004**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due November 5,</b>	<b>Principal Due November 5,</b>	<b>Balance</b>
2005	2.74%	\$ 13,716	\$ 716	\$ 13,000	\$ 19,025
2006	2.74	13,716	354	13,362	5,663
2007	2.74	5,717	54	5,663	
		<u>\$ 33,149</u>	<u>\$ 1,124</u>	<u>\$ 32,025</u>	

**CITY OF HARTFORD**  
**Schedule of 1987 Water Supply Revenue Bonds, Series A**  
**June 30, 2004**

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Balance</u>
			<u>July 1</u>	<u>January 1</u>	<u>January 1</u>	
2005	6.125%	\$ 14,426	\$ 4,713	\$ 4,713	\$ 5,000	\$ 125,000
2006	6.125	14,062	4,531	4,531	5,000	120,000
2007	6.125	13,700	4,350	4,350	5,000	115,000
2008	6.125	13,338	4,169	4,169	5,000	110,000
2009	6.125	12,976	3,988	3,988	5,000	105,000
2010	6.125	12,612	3,806	3,806	5,000	100,000
2011	6.125	12,250	3,625	3,625	5,000	95,000
2012	6.125	11,888	3,444	3,444	5,000	90,000
2013	6.125	11,526	3,263	3,263	5,000	85,000
2014	6.125	11,162	3,081	3,081	5,000	80,000
2015	6.125	10,800	2,900	2,900	5,000	75,000
2016	6.125	10,434	2,717	2,717	5,000	70,000
2017	6.125	10,076	2,538	2,538	5,000	65,000
2018	6.125	9,712	2,356	2,356	5,000	60,000
2019	6.125	9,350	2,175	2,175	5,000	55,000
2020	6.125	8,988	1,994	1,994	5,000	50,000
2021	6.125	8,624	1,812	1,812	5,000	45,000
2022	6.125	8,262	1,631	1,631	5,000	40,000
2023	6.125	7,900	1,450	1,450	5,000	35,000
2024	6.125	7,538	1,269	1,269	5,000	30,000
2025	6.125	12,174	1,087	1,087	10,000	20,000
2026	6.125	11,450	725	725	10,000	10,000
2027	6.125	10,724	362	362	10,000	-
		<u>\$ 253,972</u>	<u>\$ 61,986</u>	<u>\$ 61,986</u>	<u>\$ 130,000</u>	

**CITY OF HARTFORD**  
**Schedule of 1987 Water Supply Revenue Bonds, Series B**  
**June 30, 2004**

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due January 1	Balance
			July 1	January 1		
2005	5.75%	\$ 4,702	\$ 1,351	\$ 1,351	\$ 2,000	\$ 45,000
2006	5.75	4,588	1,294	1,294	2,000	43,000
2007	5.75	4,472	1,236	1,236	2,000	41,000
2008	5.75	4,358	1,179	1,179	2,000	39,000
2009	5.75	4,242	1,121	1,121	2,000	37,000
2010	5.75	4,128	1,064	1,064	2,000	35,000
2011	5.75	4,012	1,006	1,006	2,000	33,000
2012	5.75	3,898	949	949	2,000	31,000
2013	5.75	3,782	891	891	2,000	29,000
2014	5.75	3,668	834	834	2,000	27,000
2015	5.75	3,552	776	776	2,000	25,000
2016	5.75	3,438	719	719	2,000	23,000
2017	5.75	3,322	661	661	2,000	21,000
2018	5.75	3,208	604	604	2,000	19,000
2019	5.75	3,092	546	546	2,000	17,000
2020	5.75	2,978	489	489	2,000	15,000
2021	5.75	2,862	431	431	2,000	13,000
2022	5.75	2,748	374	374	2,000	11,000
2023	5.75	2,632	316	316	2,000	9,000
2024	5.75	2,518	259	259	2,000	7,000
2025	5.75	2,402	201	201	2,000	5,000
2026	5.75	2,288	144	144	2,000	3,000
2027	5.75	3,172	86	86	3,000	-
		<u>\$ 80,062</u>	<u>\$ 16,531</u>	<u>\$ 16,531</u>	<u>\$ 47,000</u>	

**CITY OF HARTFORD**  
**Schedule of Unlimited Tax General Obligation Bonds**  
**June 30, 2004**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due</b>		<b>Principal Due</b>	<b>Balance</b>
			<b>October 1</b>	<b>April 1</b>	<b>October 1</b>	
2005	5.50%	\$ 31,688	\$ 8,550	\$ 8,138	\$ 15,000	\$ 280,000
2006	5.30	35,746	8,138	7,608	20,000	260,000
2007	5.40	34,676	7,608	7,068	20,000	240,000
2008	5.50	33,585	7,068	6,517	20,000	220,000
2009	5.60	32,475	6,517	5,958	20,000	200,000
2010	5.70	36,203	5,958	5,245	25,000	175,000
2011	5.80	34,765	5,245	4,520	25,000	150,000
2012	5.90	33,303	4,520	3,783	25,000	125,000
2013	6.00	36,666	3,783	2,883	30,000	95,000
2014	6.00	34,866	2,883	1,983	30,000	65,000
2015	6.10	33,050	1,983	1,067	30,000	35,000
2016	6.10	36,067	1,067	-	35,000	-
		<u>\$ 413,090</u>	<u>\$ 63,320</u>	<u>\$ 54,770</u>	<u>\$ 295,000</u>	



**CITY OF HARTFORD**  
**Schedule of 1999 Michigan Transportation Fund Bonds**  
**June 30, 2004**

<b>Year Ended</b>	<b>Interest</b>	<b>Annual</b>	<b>Interest Due</b>		<b>Principal Due</b>	<b>Balance</b>
<b>June 30,</b>	<b>Rate</b>	<b>Debt Service</b>	<b>August 1</b>	<b>February 1</b>	<b>August 1</b>	
2005	5.00%	\$ 18,790	\$ 4,520	\$ 4,270	\$ 10,000	\$ 170,000
2006	5.00	18,290	4,270	4,020	10,000	160,000
2007	5.00	22,665	4,020	3,645	15,000	145,000
2008	5.00	21,915	3,645	3,270	15,000	130,000
2009	5.00	21,165	3,270	2,895	15,000	115,000
2010	5.00	20,415	2,895	2,520	15,000	100,000
2011	5.00	24,540	2,520	2,020	20,000	80,000
2012	5.00	23,540	2,020	1,520	20,000	60,000
2013	5.00	22,540	1,520	1,020	20,000	40,000
2014	5.10	21,530	1,020	510	20,000	20,000
2015	5.10	20,510	510	-	20,000	-
		<u>\$ 235,900</u>	<u>\$ 30,210</u>	<u>\$ 25,690</u>	<u>\$ 180,000</u>	

**CITY OF HARTFORD**  
**Schedule of 1999 Water Supply and Sewage Disposal System Bonds**  
**June 30, 2004**

<b>Year Ended</b> <b>June 30,</b>	<b>Interest</b> <b>Rate</b>	<b>Annual</b> <b>Debt Service</b>	<b>Interest Due</b>		<b>Principal Due</b> <b>November 1</b>	<b>Balance</b>
			<b>November 1</b>	<b>May 1</b>		
2005	5.50%	\$ 34,220	\$ 9,816	\$ 9,404	\$ 15,000	\$ 370,000
2006	5.00	33,433	9,404	9,029	15,000	355,000
2007	5.00	32,683	9,029	8,654	15,000	340,000
2008	5.00	31,933	8,654	8,279	15,000	325,000
2009	5.00	31,183	8,279	7,904	15,000	310,000
2010	5.00	35,308	7,904	7,404	20,000	290,000
2011	5.00	34,308	7,404	6,904	20,000	270,000
2012	5.00	38,183	6,904	6,279	25,000	245,000
2013	5.00	36,933	6,279	5,654	25,000	220,000
2014	5.00	35,683	5,654	5,029	25,000	195,000
2015	5.00	34,433	5,029	4,404	25,000	170,000
2016	5.05	33,176	4,404	3,772	25,000	145,000
2017	5.10	31,907	3,772	3,135	25,000	120,000
2018	5.15	35,497	3,135	2,362	30,000	90,000
2019	5.20	33,944	2,362	1,582	30,000	60,000
2020	5.25	32,377	1,582	795	30,000	30,000
2021	5.30	30,795	795	-	30,000	-
		<u>\$ 575,996</u>	<u>\$ 100,406</u>	<u>\$ 90,590</u>	<u>\$ 385,000</u>	

**CITY OF HARTFORD**  
**Schedule of Property Annexation Agreement**  
**June 30, 2004**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due February 15</b>	<b>Principal Due February 15</b>	<b>Balance</b>
2005	5.00%	\$ 2,374	\$ 986	\$ 1,388	\$ 12,496
2006	5.00	2,493	1,105	1,388	11,108
2007	5.00	2,618	1,230	1,388	9,720
2008	5.00	2,749	1,361	1,388	8,332
2009	5.00	2,886	1,498	1,388	6,944
2010	5.00	3,030	1,642	1,388	5,556
2011	5.00	3,182	1,793	1,389	4,167
2012	5.00	3,341	1,952	1,389	2,778
2013	5.00	3,508	2,119	1,389	1,389
2014	5.00	3,684	2,295	1,389	-
		<u>\$ 29,865</u>	<u>\$ 15,981</u>	<u>\$ 13,884</u>	

**CITY OF HARTFORD**  
**Schedule of Dump Truck Payments**  
**June 30, 2004**

<b>Year Ended</b> <b><u>June 30,</u></b>	<b>Interest</b> <b><u>Rate</u></b>	<b>Annual</b> <b><u>Debt Service</u></b>	<b>Interest Due</b> <b><u>November 30</u></b>	<b>Principal Due</b> <b><u>November 30</u></b>	<b><u>Balance</u></b>
2005	5.69%	\$ 14,320	\$ 1,500	\$ 12,820	\$ 13,545
2006	5.69	<u>14,320</u>	<u>775</u>	<u>13,545</u>	-
		<u>\$ 28,640</u>	<u>\$ 2,275</u>	<u>\$ 26,365</u>	

**CITY OF HARTFORD**  
**Schedule of 2001 Building Authority Bonds, Series A**  
**June 30, 2004**

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2005	4.75%	\$ 40,986	\$ 17,076	\$ 16,910	\$ 7,000	\$ 712,000
2006	4.75	40,654	16,910	16,744	7,000	705,000
2007	4.75	41,298	16,744	16,554	8,000	697,000
2008	4.75	40,918	16,554	16,364	8,000	689,000
2009	4.75	40,538	16,364	16,174	8,000	681,000
2010	4.75	41,134	16,174	15,960	9,000	672,000
2011	4.75	40,706	15,960	15,746	9,000	663,000
2012	4.75	41,255	15,746	15,509	10,000	653,000
2013	4.75	40,780	15,509	15,271	10,000	643,000
2014	4.75	41,281	15,271	15,010	11,000	632,000
2015	4.75	40,759	15,010	14,749	11,000	621,000
2016	4.75	41,213	14,749	14,464	12,000	609,000
2017	4.75	40,643	14,464	14,179	12,000	597,000
2018	4.75	41,049	14,179	13,870	13,000	584,000
2019	4.75	40,431	13,870	13,561	13,000	571,000
2020	4.75	40,790	13,561	13,229	14,000	557,000
2021	4.75	41,102	13,229	12,873	15,000	542,000
2022	4.75	40,389	12,873	12,516	15,000	527,000
2023	4.75	40,652	12,516	12,136	16,000	511,000
2024	4.75	40,869	12,136	11,733	17,000	494,000
2025	4.75	41,038	11,733	11,305	18,000	476,000
2026	4.75	41,159	11,305	10,854	19,000	457,000
2027	4.75	41,233	10,854	10,379	20,000	437,000
2028	4.75	40,283	10,379	9,904	20,000	417,000
2029	4.75	40,309	9,904	9,405	21,000	396,000
2030	4.75	40,288	9,405	8,883	22,000	374,000
2031	4.75	40,219	8,883	8,336	23,000	351,000
2032	4.75	41,079	8,336	7,743	25,000	326,000
2033	4.75	40,868	7,743	7,125	26,000	300,000
2034	4.75	40,609	7,125	6,484	27,000	273,000
2035	4.75	40,303	6,484	5,819	28,000	245,000
2036	4.75	40,925	5,819	5,106	30,000	215,000
2037	4.75	40,476	5,106	4,370	31,000	184,000
2038	4.75	39,980	4,370	3,610	32,000	152,000
2039	4.75	40,413	3,610	2,803	34,000	118,000
2040	4.75	40,751	2,803	1,948	36,000	82,000
2041	4.75	40,017	1,948	1,069	37,000	45,000
2042	4.75	46,069	1,069	-	45,000	-
		<u>\$ 1,553,466</u>	<u>\$ 425,771</u>	<u>\$ 408,695</u>	<u>\$ 719,000</u>	

**CITY OF HARTFORD**  
**Schedule of 2001 Building Authority Bonds, Series B**  
**June 30, 2004**

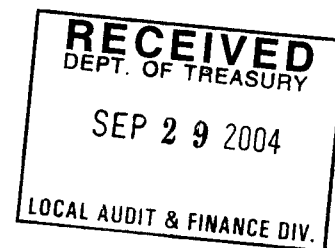
Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			November 1	May 1	November 1	
2005	4.75%	\$ 3,732	\$ 1,378	\$ 1,354	\$ 1,000	\$ 57,000
2006	4.75	3,684	1,354	1,330	1,000	56,000
2007	4.75	3,636	1,330	1,306	1,000	55,000
2008	4.75	3,589	1,306	1,283	1,000	54,000
2009	4.75	3,542	1,283	1,259	1,000	53,000
2010	4.75	3,494	1,259	1,235	1,000	52,000
2011	4.75	3,446	1,235	1,211	1,000	51,000
2012	4.75	3,399	1,211	1,188	1,000	50,000
2013	4.75	3,352	1,188	1,164	1,000	49,000
2014	4.75	3,304	1,164	1,140	1,000	48,000
2015	4.75	3,256	1,140	1,116	1,000	47,000
2016	4.75	3,209	1,116	1,093	1,000	46,000
2017	4.75	3,162	1,093	1,069	1,000	45,000
2018	4.75	3,114	1,069	1,045	1,000	44,000
2019	4.75	3,066	1,045	1,021	1,000	43,000
2020	4.75	3,019	1,021	998	1,000	42,000
2021	4.75	2,972	998	974	1,000	41,000
2022	4.75	2,924	974	950	1,000	40,000
2023	4.75	3,853	950	903	2,000	38,000
2024	4.75	3,758	903	855	2,000	36,000
2025	4.75	3,663	855	808	2,000	34,000
2026	4.75	3,568	808	760	2,000	32,000
2027	4.75	3,473	760	713	2,000	30,000
2028	4.75	3,378	713	665	2,000	28,000
2029	4.75	3,283	665	618	2,000	26,000
2030	4.75	3,188	618	570	2,000	24,000
2031	4.75	3,093	570	523	2,000	22,000
2032	4.75	2,998	523	475	2,000	20,000
2033	4.75	2,903	475	428	2,000	18,000
2034	4.75	3,784	428	356	3,000	15,000
2035	4.75	3,641	356	285	3,000	12,000
2036	4.75	3,499	285	214	3,000	9,000
2037	4.75	3,357	214	143	3,000	6,000
2038	4.75	3,214	143	71	3,000	3,000
2039	4.75	3,071	71	-	3,000	-
		<u>\$ 117,624</u>	<u>\$ 30,501</u>	<u>\$ 29,123</u>	<u>\$ 58,000</u>	

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 27, 2004



To the City Commission  
Hartford, Michigan

In connection with our audit of the books and records of the City of Hartford for the year ended June 30, 2004, we offer the following comments and recommendations regarding bookkeeping and accounting matters.

## LEGAL COMPLIANCE

1. Expenditures exceeded amounts appropriated in the Sidewalk Fund, Building Department Fund, Building Authority Fund, Capital Projects Fund, Sewer Fund, Water Fund, and General Fund - general government and operating transfers (See Note 3 to Financial Statements).
2. The operating transfer to the Streetscape Fund should have a budget equal to the actual activity. The City on June 30, 2004, had not budgeted for this transfer while the actual activity totaled \$8,561.

## GENERAL

1. The City should not budget bond principal payments in the Enterprise Funds. Principal payments represent a reduction of a liability rather than an expense.
2. There is currently no custodian for the petty cash. Currently employees may come into the office and reimburse themselves for City expenditures. To strengthen internal control, we suggest that a custodian should be designated to be responsible for reimbursing employees.
3. The petty cash on hand is only \$50 but after analyzing the year's activity we have learned that in some instances the petty cash has been overdrawn with the deficiency coming out of the cash drawer. We recommend that the City increase the petty cash drawer to \$100.
4. We have learned that the cash on hand has had many instances of being over/(short) during the year. We recommend that two designated City employees reconcile the drawer every day to make sure the drawer is balanced from the day's activity.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the City of Hartford and trust that these comments and suggestions will be received in the spirit of cooperation in which they are intended.

Very truly yours,

*Gerbel & Company, P.C.*  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

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